



Global Entrepreneurship Monitor

GEM Yemen Entrepreneurship Report 2009

A Step

**Toward Entrepreneurial Activities
in Yemen**

.....

Taha ALFusail, PH.D

30 October 2010

Forward

Suggestion:

To be addressed by His Excellency Dr. Yaha Almutwakil the minister of Ministry Industry and Trade.

Acknowledgements

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Acknowledgment

This is the first time for Yemen in GEM, so we would like firstly thank the following organizations and people for helping us during the preparation of this work. Firstly the International Development Research Centre (IDRC) Middle East/North Africa Regional Office, Cairo, Egypt and to Global Entrepreneurship Monitoring for chosen Yemen among the new seven GEM-MENA countries in GEM2009 international report for the first time and for giving us this chance to prepare this report, the *GEM-Yemen Entrepreneurship Report 2009*. We are indebted and grateful thanking to Susan Joekes, Senior Program Specialist, IDRC Middle East and North Africa Regional Office and Lois Stevenson, Visiting Research Fellow (IDRC) Middle East/North Africa Regional Office, whose encourage and support has given us the determination to work a day and night and to accomplish not only what we thought it was “impossible mission” but more than we could have imagined. Thanks must also go to Bosma, N, and to every one give us a help to accomplish this work.

Many thanks also must go to his Excellency Dr. Yaha Almtwakel, the minister of Industry and Trade for his strong support.

The main objective of this report is to measure and analysis entrepreneurial activity and attitude in Yemen using the data collected by GEM in 2009 survey, comparing Yemen’s results globally and regionally. This includes the main factors that affect the level of entrepreneurial activity and the appropriate policies to establish the entrepreneurship in Yemen.

The importance of GEM Yemen Entrepreneurship Report is arising from the following:

- The concepts of Entrepreneurship, Entrepreneur and Entrepreneurial activity still till now unknown concepts in Yemen, not only at the government levels but also academically and unofficially (Private Sector & NGOs). Confidently this report well helps to turn the attention of all related organizations and official authority to the importance of these concepts for economic growth, creating new jobs, and for reduction poverty, especially between youth.
- The Government of Yemen is preparing currently a National Micro- SME Development Strategy for Yemen.
- The Government of Yemen is preparing the Fourth National Economic & Social Development Plan (2011-2015).
- This report could turn the attentions of the External Donors of Yemen to start taking considerations of helping Yemen creating and supporting

ENTREPRENEURIAL ACTIVITIES, not only through the financial supports but also technically which includes the academic institutions.

- **Will encourage Yemen's universities and other academic institutions to include the entrepreneurship and entrepreneurial activity in their educational programs.**

We hope deeply, this report will be a great help and be used in different ways:

- 1. Will provide data & information for many ministries (Industry & Trade, Planning & International Cooperation, Social Welfare & Labor, and Youth & Sportive), and the other official authorities such as; financial institutions for SMEs, private sector, commercial banks (the traditional and Islamic banks), NOGs, academic institutions and researchers.**
- 2. Will turn the official and private attention to the importance of the entrepreneurship activity in Yemen, such as; how to develop a practical policy to encourage and extend entrepreneurial activity in Yemen, through:**
 - Helping in identifying the positive factors and constraints that influence the entrepreneurial activity.**
 - Give policy makers additional and complementary data and information to follow policy actions favoring start-ups Micro and SMEs.**
 - Increasing academic research in Entrepreneurship and Entrepreneurship Activity.**
- 3. Conducting wide campaign to encourage the enterprise culture, self-employment and business ownership to be a real alternative policy to reduce high rate of unemployment and poverty in Yemen.**

Part I: Introduction to the Global Entrepreneurship Monitor GEM

The Global Entrepreneurship Monitor GEM¹ Was conceived in 1997 by Michael Hay and Bill Bygrave and a prototype study was funded by the London Business School and Babson College. The first GEM Global study was conducted by a group of 10 nations in 1999 with Paul Reynolds as the Principal Investigator. Since then, GEM has grown into a consortium of 64 national teams. In 2004, the London Business School and Babson College transferred GEM's intellectual capital to the Global Entrepreneurship Research Association (GERA), which is a non-profit organization governed by representatives of the national teams, the two founding institutions and sponsoring institutions.

The Global Entrepreneurship Monitor GEM

Since its inception in 1997 by scholars at Babson College and London Business School, GEM has developed into one of the world's leading research consortium concerned with improving our understanding of the relationships between entrepreneurship and national development.

In 2009, GEM issued the 11th annual global report "GEM 2009", included a 54 countries in different phases of economic development; 12 countries in the group of factor-driven economies, 22 within the efficiency-driven economies group, and 20 countries in innovation-driven economies group. The 12th global GEM Report is expecting to be issued during this year 2010. Box 1 gives more details on the role of entrepreneurship in facto-driven countries.

GEM research is based on the recognition that entrepreneurship is a complex phenomenon that spans a variety of contexts. The varied definitions in the entrepreneurship literature reflect this complexity. In line with its objectives, GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. This differentiates

¹ See; GEM 2008 and 2009 Annual Reports.

GEM from other data sets, most of which record firm-level data on (new) firm registrations. New firms are most often started by individuals, and individuals typically determine the entrepreneurial orientation and behavior of established businesses, regardless of size.

Box 1 The Role of Entrepreneurship in Factor-Driven Economies

Economic development consists of changes in the quantity and character of economic value added (Lewis, 1954). These changes result in greater productivity and rising per Capita incomes, and they often coincide with migration of labor across different economic sectors in the society, for example from primary and extractive sectors to the manufacturing sector, and eventually, services. Countries with low levels of economic development typically have a large agricultural sector, which provides subsistence for the majority of population who mostly still live in the countryside. This situation changes as industrial activity starts to develop, often around the extraction of natural resources. As extractive industry starts to develop, this triggers economic growth, prompting surplus population from agriculture to migrate toward extractive and emergent scale-intensive sectors, which are often located in specific regions. The resulting oversupply of labor feeds subsistence entrepreneurship in regional agglomerations, as surplus workers seek to create self-employment opportunities in order to make a living.

Source: GEM2009 Executive Report.

An important guiding principle for GEM research is that entrepreneurship is a process. It considers people in entrepreneurial activity in different phases, from the very early phase when businesses are in gestation to the established phase and possibly discontinuation of the business. An individual entrepreneur who has succeeded in maintaining a business has gone through a process, and the characteristics of his or her actions are a very useful way to study entrepreneurial behavior. The entrepreneurial process starts before the firm is operational. Someone who is just starting a venture and trying to succeed in a very competitive market is an entrepreneur in spite of not having high-growth aspirations. On the other hand, a person may be an established business owner who has been in business for quite a number of years and still be innovative, competitive, and growth-minded. This person is also an entrepreneur.

GEM provides an umbrella under which a wide variety of entrepreneurial characteristics, such as motivations, innovativeness, competitiveness, and high-growth aspirations, can be systematically and rigorously studied. Within this context, the GEM data collection covers the life cycle of the entrepreneurial process and looks at individuals at the point when they commit resources to start a business they expect to own themselves (nascent entrepreneurs); when they

currently own and manage a new business that has paid salaries for more than three months but not more than 42 months (new business owners); and when they own and manage an established business that has been in operation for more than 42 months (established business owners). Figure 1 summarizes the entrepreneurial process.

GEM Research Methodology

The GEM is mainly using the quantitative approach to find the indicators that explains the entrepreneurship in a country based on a conceptual model and filed survey.

GEM Conceptual Model

According to the GEM conceptual model, traditional analysis of economic growth and competitiveness tended to neglect the role played by new and small firms in the economy. GEM takes a comprehensive approach and considers the degree of involvement in entrepreneurial activity within a country and identifies different types and phases of entrepreneurship.

The GEM research project has three main objectives:

To measure differences in the level of early-stage entrepreneurial activity among countries;

To uncover factors determining the national levels of entrepreneurial activity; and,

To identify policies that may enhance the national level of entrepreneurial activity.

These objectives are explored in the context of a theoretical model illustrated in Figure 1.

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The Adult Population Survey (APS)

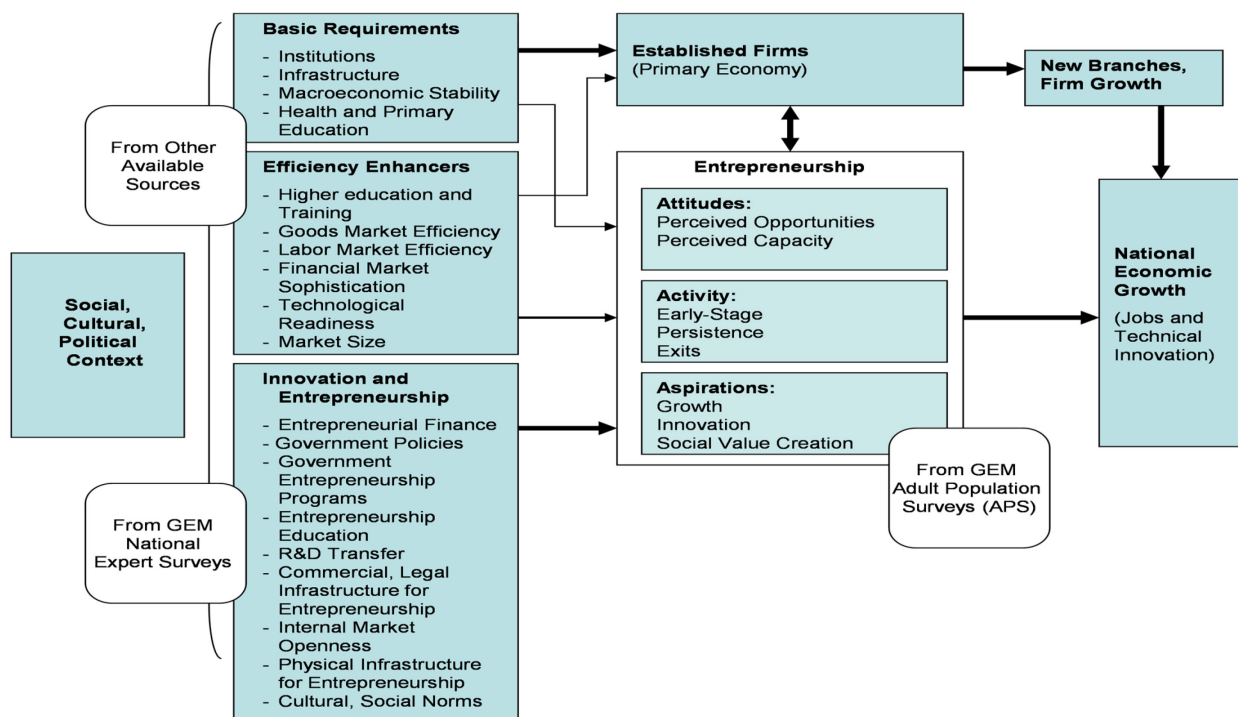
The main data collection methods used in the GEM research is the Adult Population Survey (APS), conducted with a randomly-selected sample of a minimum of 2,000 adults, aged 18-64 years old.

The APS is the primary research tool of GEM. Each national team must survey at least 2,000 adults in their country using best practice in social science survey techniques. To ensure consistency and cross-country comparability, each country conducts exactly the same survey of its adult population at the same time of the year using the same methodology. The individual country surveys are then harmonized into one master dataset. The 2008 GEM global study was based on analysis of APS results from 43 countries and more than 150,000 adults across the world.

Data Collection Instrument

The 2009 APS survey questionnaire included a series of over 80 questions organized in seven thematic areas to assess four main measures; the attitudes and perceptions of the adult population towards entrepreneurship, their level of engagement in entrepreneurial activity (Nascent, Baby new business and Established entrepreneurs), the characteristics of their enterprises, and their expectations for the future, and the international orientation of entrepreneurs. Table 1 summarizes the mean measures and their sub indicators.

Figure 1. The GEM Model



Respond to the 2008-2009 global financial and economic crises, GEM 2009 survey added three questions that allowed for an investigation of entrepreneurs' perception of climate in mid-2009 for starting, growing business, and business opportunities. Also, GEM special topic of 2009 report was the social entrepreneurship, and through exploring the prevalence and nature of entrepreneurship with social purpose.

Table1. Glossary of Main Measures and Terminology

Measure Description	Description
<i>Entrepreneurial Attitudes and Perceptions</i>	
Perceived Opportunities	Percentage of 18-64 who see good opportunities to start a firm in the area where they live.
Perceived Capabilities	Percentage of 18-64 population who believe to have the required skills and knowledge to start a business.
Fear of Failure Rate	Percentage of 18-64 population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business.
Entrepreneurial Intention	Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years
Entrepreneurship as Desirable Career Choice	Percentage of 18-64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice.
High Status Successful Entrepreneurship	Percentage of 18-64 population who agree with the statement that in their country, successful entrepreneurs receive high status
Media Attention for Entrepreneurship	Percentage of 18-64 population who agree with the statement that in their country, you will often see stories in the public media about successful new businesses
<i>Entrepreneurial Activity</i>	
Nascent Entrepreneurship Rate	Percentage of 18-64 population who are currently a nascent entrepreneur, i.e., actively involved in setting up a business. They will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months
New Business Ownership Rate	Percentage of 18-64 population who are currently owner-manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months
Early-Stage Entrepreneurial Activity (TEA)	Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business (as defined above)
Established Business Ownership Rate	Percentage of 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.
Business Discontinuation Rate	Percentage of 18-64 population who has, in the past 12 months,

	discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business Note: This is NOT a measure of business failure rates.
Necessity-Driven Entrepreneurial Activity: Relative Prevalence	Percentage of those involved in early-stage entrepreneurial activity (as defined above) who are involved in entrepreneurship because they had no other option for work.
Improvement-Driven Opportunity Entrepreneurial Activity: Relative Prevalence	Percentage of those involved in early-stage entrepreneurial activity (as defined above) who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income.
<i>Entrepreneurial Aspirations</i>	
High-Growth Expectation Early-Stage Entrepreneurial Activity(HEA)	Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business (as defined above) and expect to employ at least 20 employees five years from now.
High-Growth Expectation Early-Stage Entrepreneurial Activity: Relative Prevalence	Percentage of early-stage entrepreneurs (as defined above) who expect to employ at least 20 employees five years from now. Weak measure: expects at least five employees five years from now
New Product-Market Oriented Early-Stage Entrepreneurial Activity: Relative Prevalence	Percentage of early-stage entrepreneurs (as defined above) who indicate that their product or service is new to at least some customers and indicate that not many businesses offer the same product or service. Weak measure: product is new or not many businesses offer the same product or service.
International Orientation Entrepreneurial Activity	Percentage of early-stage entrepreneurs (as defined above) with more than 25% of the customers coming from other countries. Weak measure: more than 1 percent of customers coming from other countries

How GEM Measures Entrepreneurship

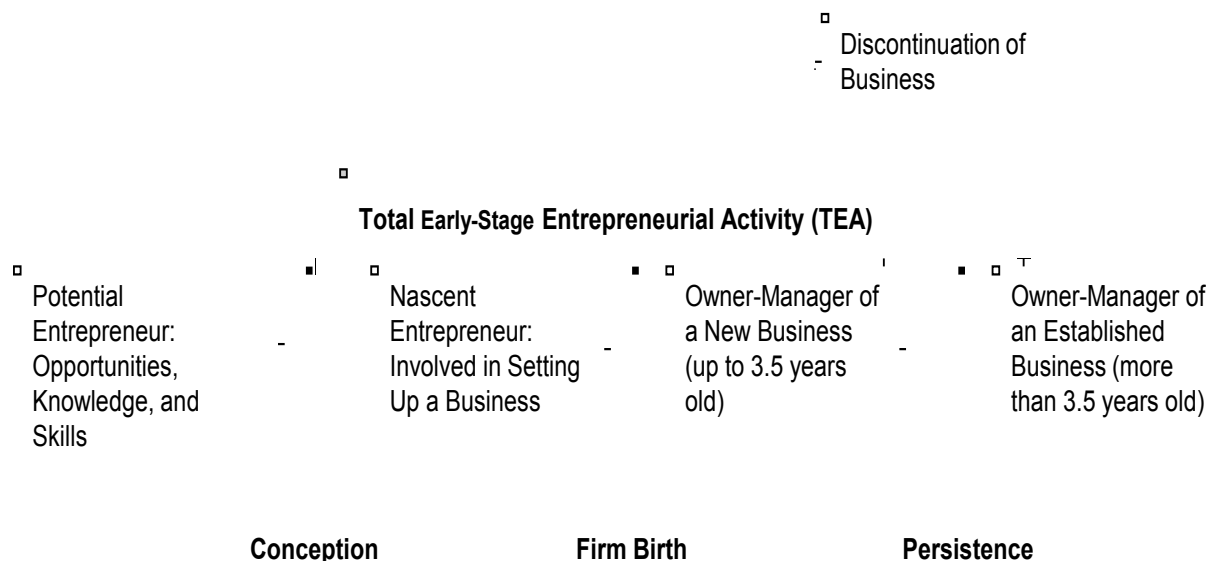
The entrepreneurship is a complex phenomenon, so GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. This differentiates GEM data from other data sets, most of which record firm-level data on (new) firm registrations, as highlighted in the GEM 2008 Global Executive Report. New firms are, most often, started by individuals. Even in established organizations, entrepreneurial attitudes, activities, and aspirations differ in each individual.

Another guiding principle of GEM research is that entrepreneurship is a process. Therefore GEM observes the actions of entrepreneurs who are at different stages of the process of creating and sustaining a business. For GEM, the payment of any wages for more than three months to anybody, including the owners, is

considered to be the “birth event” of actual businesses. Individuals who are actively committing resources to start a business that they expect to own themselves, but who have not reached this “birth event” are labeled nascent entrepreneurs.

Individuals who currently own and manage a new business that has paid salaries for more than three months but not more than 42 months are known as new business owner-managers. The cut-off point of 42 months has been made on a combination of theoretical and operational grounds. The prevalence rate of nascent entrepreneurs and new business owner-managers taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. It represents dynamic new firm activity—the extent of experimentation in new business models by a national population.

Figure2. The Entrepreneurial Process



Source: GEM 2009 Executive Report.

Established business owners own and manage an established business that has been in operation for more than 42 months. Their businesses have survived the liability of newness. High rates of established business ownership may indicate positive conditions for firm survival. However, this is not necessarily the case. If a country exhibits a high degree of established entrepreneurship combined with low degree of early stage entrepreneurial activity, this indicates a low level of dynamism in entrepreneurial activity.

Finally, GEM identifies individuals who have discontinued a business in the last 12 months. These individuals may enter the entrepreneurial process again. Figure 2 summarizes the entrepreneurial process and GEM's operational definitions.

The GEM 2009 Global Executive Report includes 54 countries across the globe. In each of these 54 countries, a survey was conducted among a representative sample of at least 2,000 adults. More than 180,000 adults were interviewed between May and October (outside holiday seasons) and answered questions on their attitudes toward and involvement in entrepreneurial activity. Appendix 2 contains specific definitions of measures of entrepreneurial attitudes, activity and aspirations used in this report. Care should be taken in comparing data provided in this report with previous reports, as definitions of some measures may have changed.

Part II: The Findings of Yemen Adult Population Survey

This is the main part of the report, which focuses on analyzing and survey results of the Yemen adult population survey. It covers the GEM's measures, variable and indicator in the prevalence rate of early-stage entrepreneurial activity, motivations to be entrepreneurial, and related main measures of entrepreneurial activity; demographics, education, household income, labor force and regional variation.

Early-Stage Entrepreneurial Activity Prevalence Rates in Yemen

The early-stage entrepreneurial activity (TEA) is combined from two measures, a nascent entrepreneurs (adults who are currently involved in setting up business that they will own partly or wholly) and/or manage a business that is less than 42 months old (new young baby businesses).

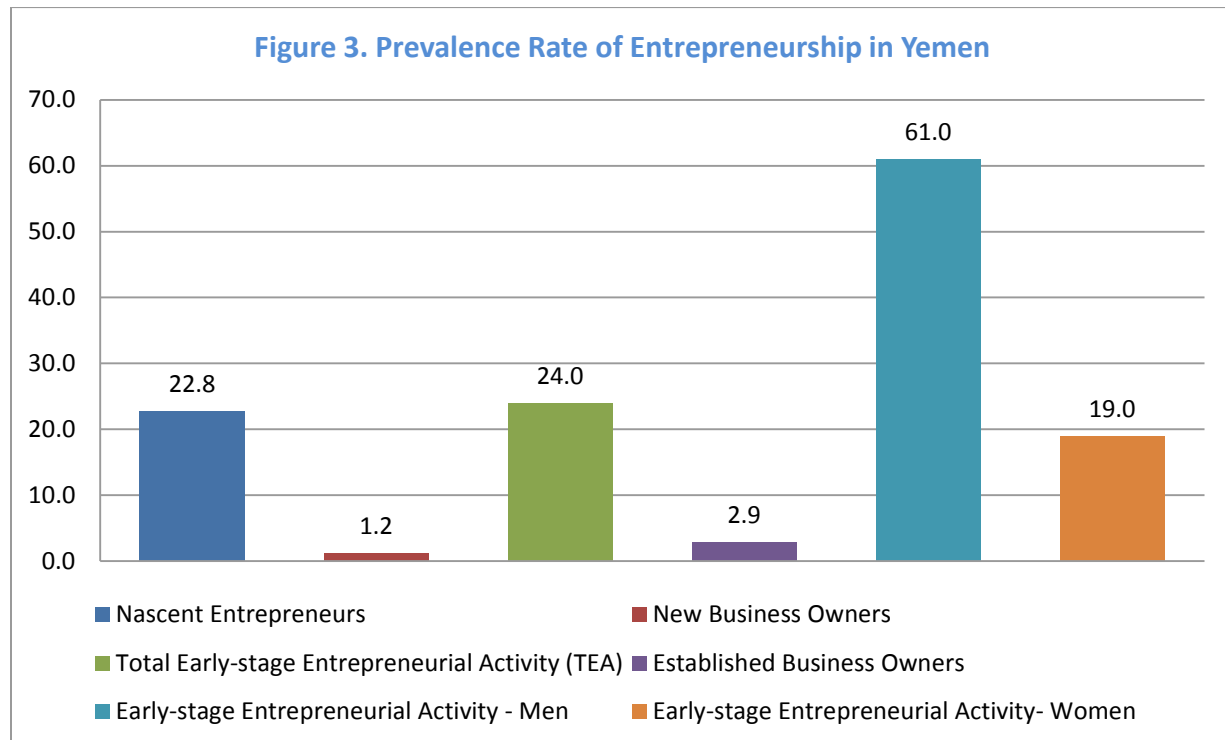
In 2009, 24 percent of the Yemeni adult population are involved in entrepreneurial activity, mostly of nascent entrepreneurs (22.8%) and only (1.2%) considered as new business owner-managers. This result means that most of the adult population between 18-64 years are actively involved in start-up efforts of their new businesses, but the segment of the persons manages a business that exceed 42 months are very low (only 24 person out of 496 of TEA's persons).

The ownership rate of established business is also low, 2.9% of the adult population own-mange business that is more than 42 months. That means only 60 individuals are considered as owner-managers of established firms that have been paid salaries or wages since 2006 or earlier (older than 42 months).

The overall entrepreneurial activity rate in Yemen measures 26.9% of the adult population. On the other hand, there are 38.1% of Yemeni adults involved in any kind of entrepreneurial activity over the past month from the date of the survey.

Extrapolated to the total population, we can estimate more than 2.5 million of population (18-64 years old) were engaged in early stage entrepreneurial activity, most of them (about 2.4 million) were nascent. That means on average 1.8 adults were trying to start an estimated 1.3 million of new enterprises in 2009, compared

to about 123 thousands of Yemeni population, on average 2.4 adults, were owners of around 15 thousands of new business less *than 42 months old*.



The estimation of established ownership business is about 307,000 of Yemeni adult population has owned about 95,000 of established enterprises for more than 42 month.

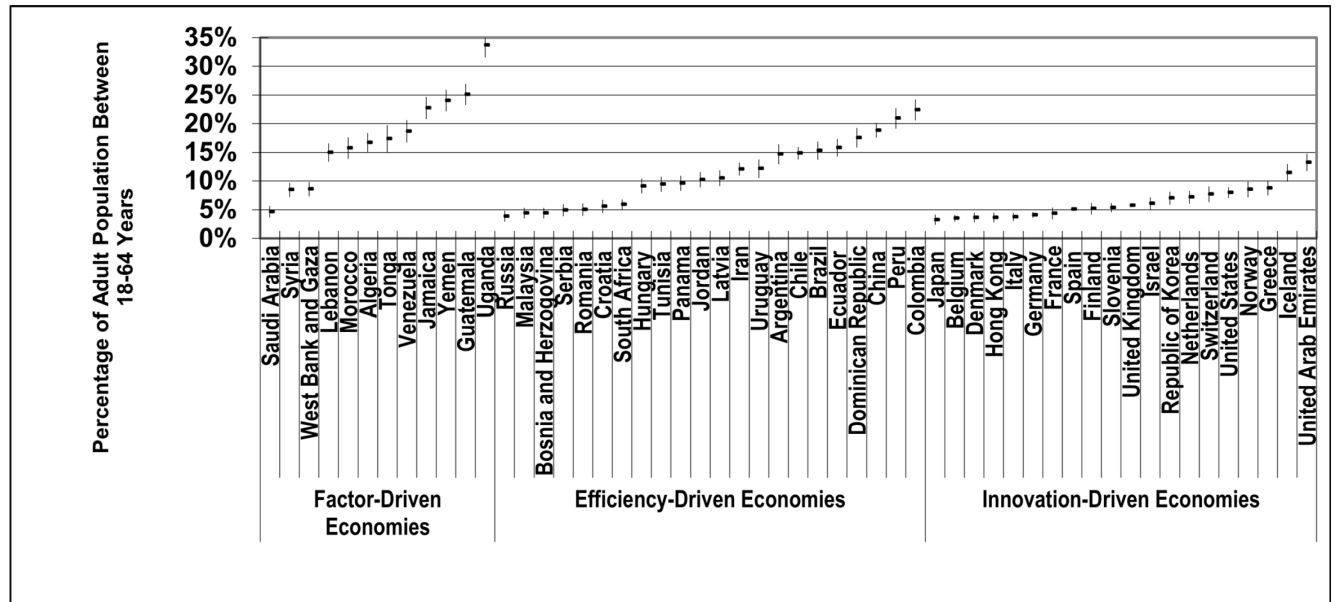
The above result suggested that many of Yemeni adults would like to have their own business but have difficulty getting them off the ground.

Overall, the total rate of entrepreneurship activity in Yemen is nearly 27%, indicating that more than one fourth of Yemeni individuals (age 18-64) are involved in different stages of entrepreneurial activity, but most of them are nascent entrepreneurs.

Yemen is one of the factor – driven economies group, which includes 12 countries, 7 of them are Arab countries (Algeria, Lebanon, Morocco, Saudi Arabia, Syria, west bank and Gaza strip, and Yemen). Jordan and Tunisia are among efficiency-driven countries groups, and United Arab Emirates is among the innovation- driven group.

Globally, Yemen ranked No.3 out of 54 countries in GEM2009, with a TEA rate (24.0%) above the average rate of factor-driven countries (11.7%). The rate of nascent entrepreneurial activity in Yemen is the highest rate among its group and compared to all GEM2009 countries (excluding Uganda and Guatemala). On the other hand, Yemen's rates of new business and established ownership

Figure 4 The Early stage Entrepreneurial Activity (TEA Rate) by country in GEM 2009



Source: GEM 2009 Executive Report

entrepreneurial activity are within the lowest countries. Yemen rate of new (baby) business entrepreneurial activity is the lowest rate among factor-driven economies and below the average rate (5.6%) of all GEM 2009 countries. Also, Yemen's rate of established owner-managers is the second lowest rate among its group of countries and below the average rate of factor-driven countries (8.9%) and of all GEM2009 countries (7.9%).

Comparing Yemen with the new seven GEM-MENA countries, Yemen's TEA rate is the highest, but, on the other hand, Yemen has the lowest rates of both; new and established owner-managers business, only 4 persons per 100 of Yemeni adults aged (18-64) are business owner-managers of baby or established business.

The stands out of Yemen among the new 7GEM-MENA and globally could be explained through the following different factors and views:

1. The deep and wide culture of Yemenis, historically and currently, towards private business and business venture suggested being the first factor. Yemen could be one of these countries who you can see and observe easily the strong and positives attitudes towards entrepreneurial activity, which would be explaining why Yemen has the most positive attitudes towards the venture business among the 7 GEM- MENA and the highest percentage of adults in all 54 GEM 2009 countries reporting the related measures of entrepreneurial attitudes of the population.
2. The higher percentage of TEA entrepreneurs is driven by opportunity motive. Business venture for Yemeni adults means more independence, security, and more income, and it gives them full chance to use their skills, benefiting from their qualification, and practice their ideas effectively.
3. Low salaries, wages and other incentive payments in the governmental and public sector, especially for the employees in the low and medium administrative levels, encourage most of the employees to improve their income and/or benefiting from their qualification and experience. This could be directly through owning and/or managing their private business. Consultations and advising private offices for lawyers, accountants, are an example. Indirectly, this could be through participating (partly) others in starting up and/or established private or venture business. Some of the other employees are usually looking for additional jobs in different activities of private sector based on weekly or monthly wages.

GEM-Yemen 2009 survey reported 42% of nascent entrepreneurs are working in government and public sector while they are trying to start up their nascent business.

4. For senior and higher governmental officials and public sector, many of them benefiting from their positions to own and/or manage (partly or wholly) their own business, directly through their own business and companies, or letting another person (persons) to manage them as a partners or employee. Indirectly, participating in starting up or established private and venture business, financially and more support.

Finally, Yemen not exceptional from the general pattern of GEM regards the relationship between the level of income, the developing phase of the country and its level of TEA rate. The average pattern of TEA rates for the three GEM countries groups is higher for low-income or poor countries and declined in over all levels

of entrepreneurial activity, with increasing in economic development. Saudi Arabia and Uganda is an example, both of them are within factor-driven countries, Saudi Arabia is rich state with a high reliance on income from oil extraction, has a very low TEA rate at 4.7%, and the proportion of necessity-driven entrepreneurship in TEA is also low at 12%. Few Saudis are compelled to create new economic activity out of necessity. On the other hand, Uganda is the poorest country in the sample, has a high TEA rate (34%), a high proportion of necessity entrepreneurship (45%), and a high discontinuation rate (20%).

SO, it appears that Yemen is not exceptional when we take in our consideration that Yemen is one of the least developed countries and a low-income country with a per capita GDP (PPP) of less than US\$2,600. Crude oil is the mainstay of the economy, contributing about 70% of government revenue, 90% of exports and 30% of current GDP. The agricultural sector that is responsible for creating livelihoods for two-thirds of the population.

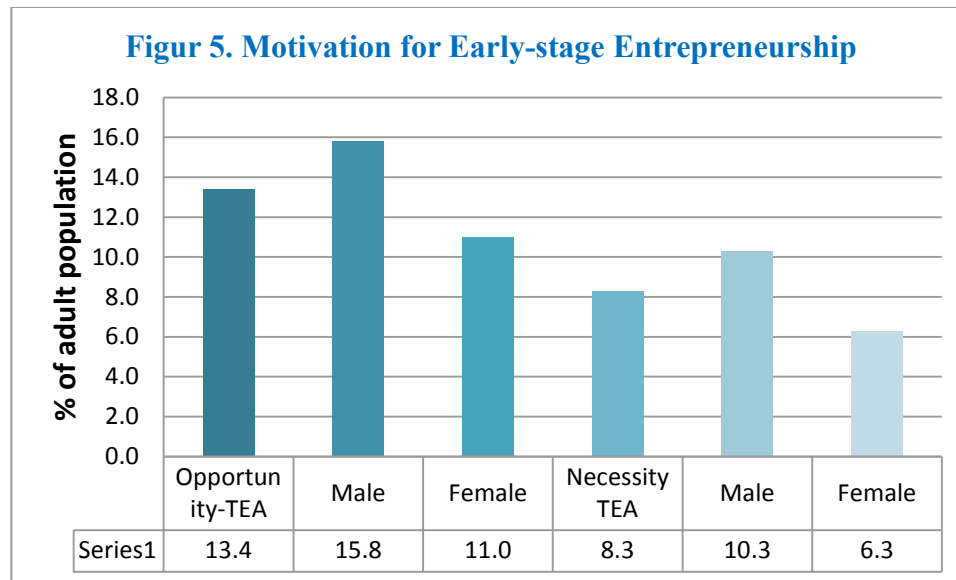
Yemeni Motives for Becoming an Entrepreneur

What is the motive for starting up a business and operating a new venture business, the necessity or the opportunity? In other word is the entrepreneur starting a business because there are no better alternatives for work or no employment options (necessity motive), or entrepreneur may be exploiting the potential for new market creation (opportunity motive).

The opportunity TEA rate in Yemen is 13.4%, and 8.3% for the necessity motive, which means that the opportunity is the main motive (61.6%) for most TEA entrepreneurs rather than the necessity motive (38.2%). The opportunity motive included both; purely opportunities (18.3%) and partly opportunity motive (43.3%).

For nascent entrepreneurs, the percentage of necessity motive and partly opportunity motive are relatively similar (40.6% and 41.4%), and the rest (18.0%) are purely opportunity motive. In total the opportunity motive (partly and purely) is more dominant (about 60.0%) for nascent entrepreneurs.

The opportunity motive is the only choice motive for baby entrepreneurs, (25% for the purely opportunity and 75% for the partly opportunity). The result is similar for established entrepreneurs, around 53.6% of them are opportunity motive, 44.6% are mixed motive (combination of necessity and opportunity motive) and only 1.9% of them are necessity motive.



The Opportunity TEA rate for men is 15.7% and 11% for women, the necessity TEA rates are 10.3% and 6.3% respectively. There is a 122 women involved in opportunity early stage entrepreneurial activity compared to only 64 women are necessity, which could indicated that most of women choosing to start a business venture based on exploiting the potential for new market creation more than “No better alternative for work”.

Based on mix motive, Yemeni entrepreneurs take the advantage of business opportunity and at the same time they didn't find better choices for another work beside their originals.

The TEAMOTIV (a combination of TEA mix motive and TEA opportunity type) is reported very low proportion of opportunity motive (16.2% for increasing income motive and 1.5% for greater independence motive) verse a 43.4% for mixed motive and 38.9% for non-opportunity motive (necessity or maintain income motive).

The result for established entrepreneurs is different, around 53.6% of them are opportunity motive (46.6% for increasing income motive and 7.0% for greater independence motive), 44.6% are mixed motive and only 1.9% are non-opportunity motive.

Demographics and Entrepreneurial Activity in Yemen

Demographics and entrepreneurial activity can be addressed in tow dimensions; gender and the age group (the adults' age group and the adult population within the same age group).

Gender and Entrepreneurial Activity

Traditionally, Yemen society was very conservative towards females, so working of Yemeni females out of their houses or farms was unacceptable by their families and communities, especially in the northern parts of Yemen. The participation of women in business community has been increased slightly 15-20 years ago. The phenomenon “businesswomen” become more acceptable and supported socially and recently institutionally through creating especial department for Yemeni businesswomen at the Yemeni Federation of Commerce and Industry. Also, there is the NGO association of Yemeni business women. By the end of 2009, there is about 109,000 businesswomen in the commercial sector, 500 of them has the membership of Yemeni Federation of Commerce and Industry, and more than 150 in the Yemeni Businesswomen Association.

In 2009, Yemen seems to be relatively good finding for female in entrepreneurial activity comparing to other Arab and developing countries, taking in consideration the level of human development in Yemen. Among women, the female rate of early stage entrepreneurial activity is nearly 19% of adult women population compare to 29% for men, so the gender gap is 1:5 for men.

As in other developing and developed countries, the typical entrepreneurship tends to be male, but the proportion of women varies from country to another. Yemen is not exceptional, but the distinguished matter is the high proportion of women who involved in early stage entrepreneurial activity (39%) compared to (61%) for men. That means about two fifths of the entrepreneurs in the early- stage is women, most of them are nascent entrepreneurs (about 93.6% of TEA, female). In overall, female represented a 36.3% of nascent entrepreneurs, increased to 50% for new baby entrepreneurs. Also female proportion is high (about 46%) in established entrepreneurial activity, there are 28 women entrepreneurs out of 60 established entrepreneurs.

Age and Entrepreneurial Activity

On the basis of Yemen prevalence early stage entrepreneurial activity rate, GEM 2009 survey shows that 9.9 percent of Yemeni adult population (aged 18-24) is engaged in the process of setting or running a new business, this equates to 41.3% of Yemeni entrepreneurs involved in early stage activity. By adding the share of the following age category (25-34), around 62.5% of Yemeni entrepreneurs will be under 35 years old, which is very near from their distribution among the adult population (64.1%).

The younger aged group (18-24) is over-represented; accounted 31.1% of adult population but its share about 41% of early stage entrepreneurs. The share of two adults' age groups (45-54 and 55-64) is also over represented (20.0% of adult population and 28.3% of TEA rate). The two middle age groups (25-34 and 35-44) seem to be under represented, table 2 shows the distribution differences between total early stage by gender and age.

The two age groups (45-54 and 55-64) represented (28.6%) of TEA rate, 19.4% for men and 9.2% for women. Among the men around 31.8% of them involved in TEA male vis-à-vis of 18% for women involved in TEA female.

In addition, young entrepreneurs are the most owner-mangers of established business for more than 42 month, about 1.4% of adults population (aged 18-24) are considered as established entrepreneurs, and they represented more than 48% of established business rate, followed by the next age group (25-34), with about 0.8% of Yemeni adults and represent (around 27.6% of established business rate). The two age groups represented more than three quarter (75.6%) of Yemen's prevalence rate of established business owners.

On gender perspective, the share of young men group (18-24) is the highest represented about 25.0% of people involved in early stage entrepreneurial activity. By adding the share of men in the next age group (25-34) men entrepreneurs under 35 years old will represented about 39.2% of all individuals involved in TEA activity and about 63.8% of men involved in early stage entrepreneurial activity, which is near from their distribution (62.1%) among the adult population of men.

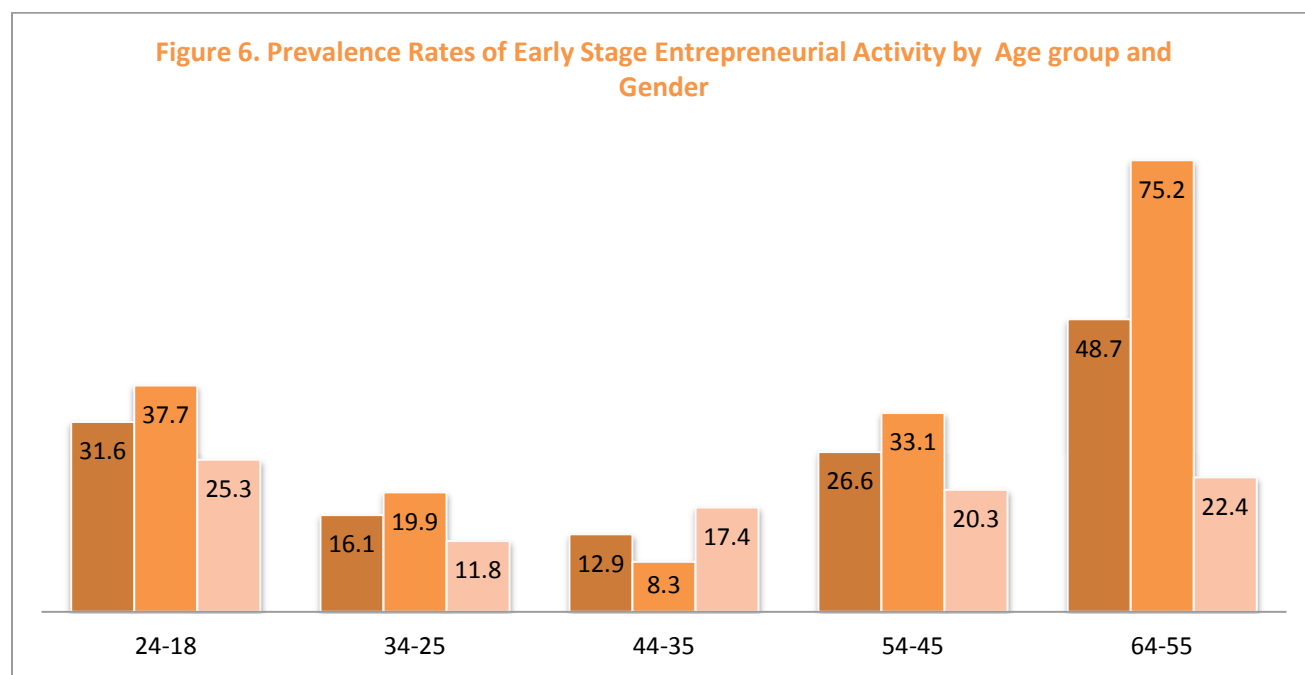
Women entrepreneurs under 35 years old is 23.3% of all individuals involved in TEA activity and about 61.0% of women involved in early stage, which is near from their distribution (62.1%) within women population.

That means about 15% of Yemeni adult population between 18 to 34 years old are engaged in early stage entrepreneurial activity.

In terms of the prevalence rates of early stage entrepreneurial activity for separate age groups, the two latest international reports of GEM (GEM 2008 and GEM 2009) indicates that the age group 25-34 has the highest TEA rate and this rate declines after the 35 year of age in the three categories of countries in different phases of economic development.

The TEA rates among the same age groups are relatively different; the elder age group (55-64) gets the highest TEA rate with about 49% of adult population in this group, followed by the 18- 24 age group with 31.6 percent, and one quarter for the age group 45-54. **Table 3 and figure 6 summarize** the TEA rates by age group and gender in Yemen.

Table 3. Early Stage Entrepreneurial Activity Rates by Gender and among Age group				
Age group	Mean TEA Rate	Male TEA Rate	Female TEA Rate	% of adult population
18-24	31.6	37.7	25.3	31.6
25-34	16.1	19.9	11.8	32.5
35-44	12.9	8.3	17.4	16.5
45-54	26.0	33.1	20.3	12.7
55-64	48.7	75.1	22.4	7.3

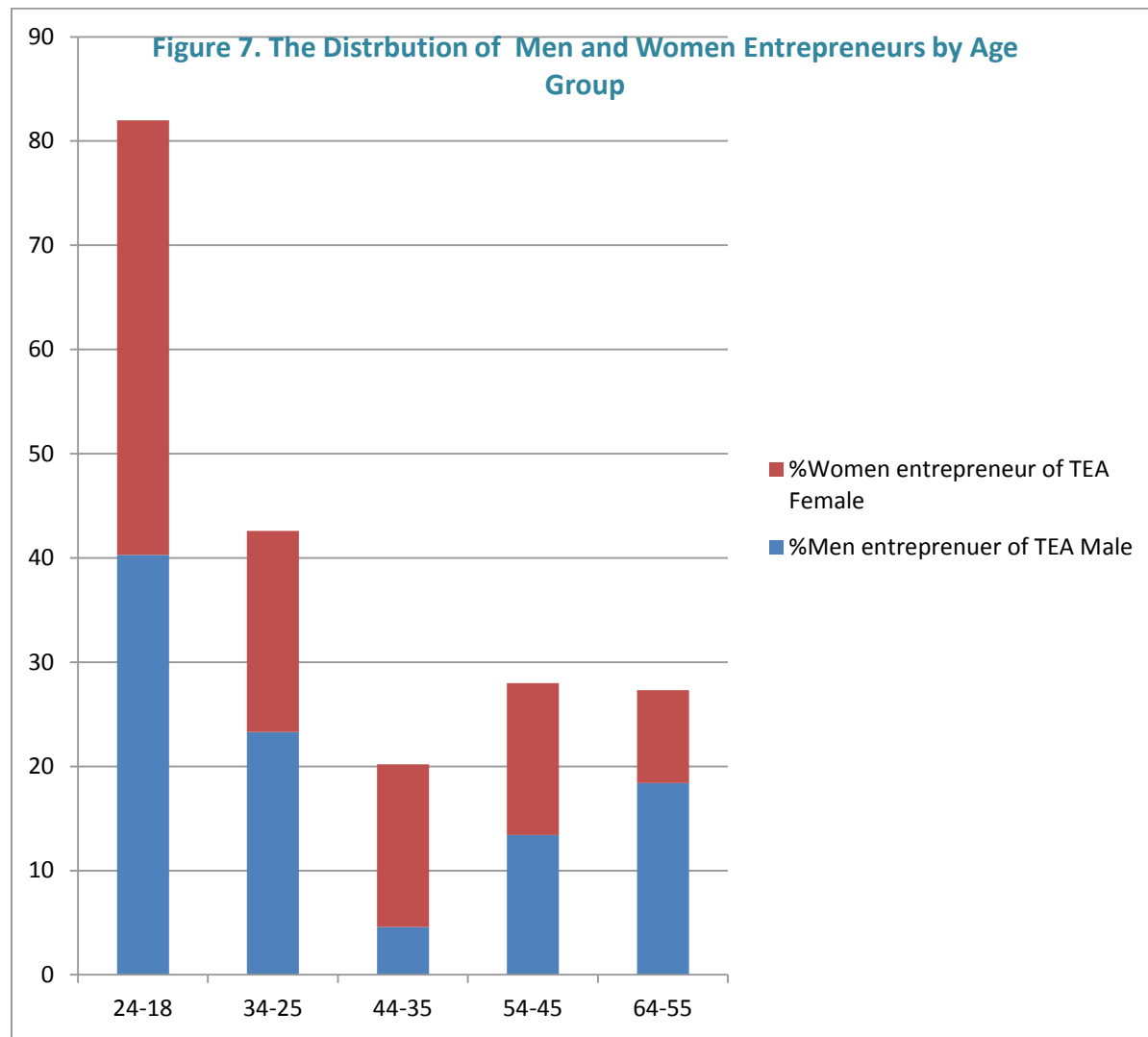


The highest TEA rate (75.1%) for men is among the adult age group (55-64), followed by (37.7%) for the young age group (18-24), and then again the other adult age group (45-54) with 33.1%.

For women, the younger age group (18-24) is the highest with 25.3% TEA rate, then the two elder age groups (55-64 and 45-54) as shown in the table 3. The higher TEA rates among the two adult groups could be one effect of previous socialism regime

in the southern part of Yemen in addition to the strict implementation of retirement rules in Yemen. According to the economic reforms, many of government and public sector employees were getting retired, so, they have been trying to have their own business to secure a resource of income.

As in developing and developed countries, The TEA rates for Yemeni men are much higher than women rates in all age categories, so the women entrepreneurs are low.



Overall, The above results showed that the pattern in Yemen is relatively different from GEM pattern in this regard, the elder age group (55-64) is the highest prevalence of TEA rate, followed by the young age group (18-24), then again the other adult age group (45-54).

Education and Entrepreneurial Activity

According to House Budget Survey 2005/2006, the average percentage of illiteracy in Yemen is around 41% of the adult population (21.3% for male and 60.0% for female) and there is one third of those who can read and write are (41.0% for male and 26.3% for female). 13.0% have pre-secondary education whose education level is elementary or equivalent level pre-secondary diploma, and 8.7% have secondary degree or post-secondary diploma. Only 2.3% of adult population has university education or some post graduate (3.6% for male and only 1.1% for female).

Among the level education, the highest TEA rates are concentrated basically in two levels of education; completed secondary education group (32.5%) and (27%) for the two levels of post- secondary education (have some and completed). Entrepreneurs who completed their secondary education represented about 71% of early stage entrepreneurs. Men and women in this level of education also get the highest share (73.1% of men involved in early stage activity and 67.5% for women). By adding entrepreneurs who have some secondary education, more than three quarters of TEA people have some or completed secondary education.

The average TEA rate of post-secondary education (who have some or complete college and technical education) is 27% but it represent only 4.8% of adult population, and 7.1% of entrepreneurs involved in early stage activity. In this level of education, women entrepreneurs are more than men (21 to 15) compare to previous level of education.

The TEA rate of adults who have not exceeded elementary education (included who have non-education, can read and write, have some or completed elementary education) is 13.9%, compared to its population of adult population (about 17.8%) and its share (10.3%) of the entrepreneurs who involved in early stage activity. On the other hand, the average TEA rate among the adults population who have some or completed their university education is also low 17.3%.

The wide spread of illiteracy and poverty in Yemen could be the main reason for the domination of the secondary education group, which represented 71% of TEA entrepreneurs. Most families in Yemen, especially in the rural areas, have not enough financial resources to support their young children to complete university education, thinking that a secondary education is the sufficient level of education, which give their young children the information they need to start any kind of practical work.

Figure 8. Prevalence Rates of Early Stage Entrepreneurial Activity by Education Levels

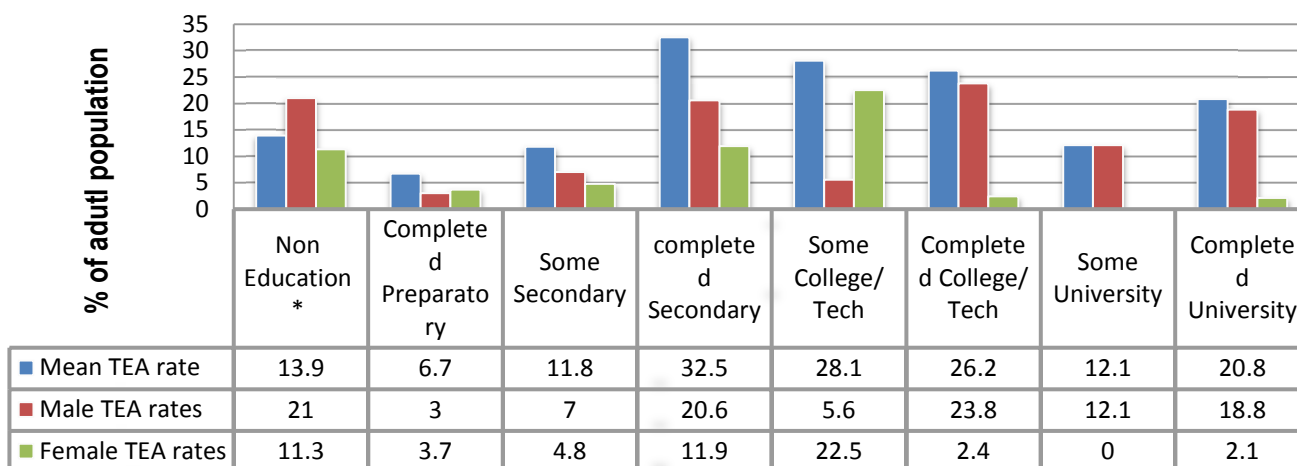
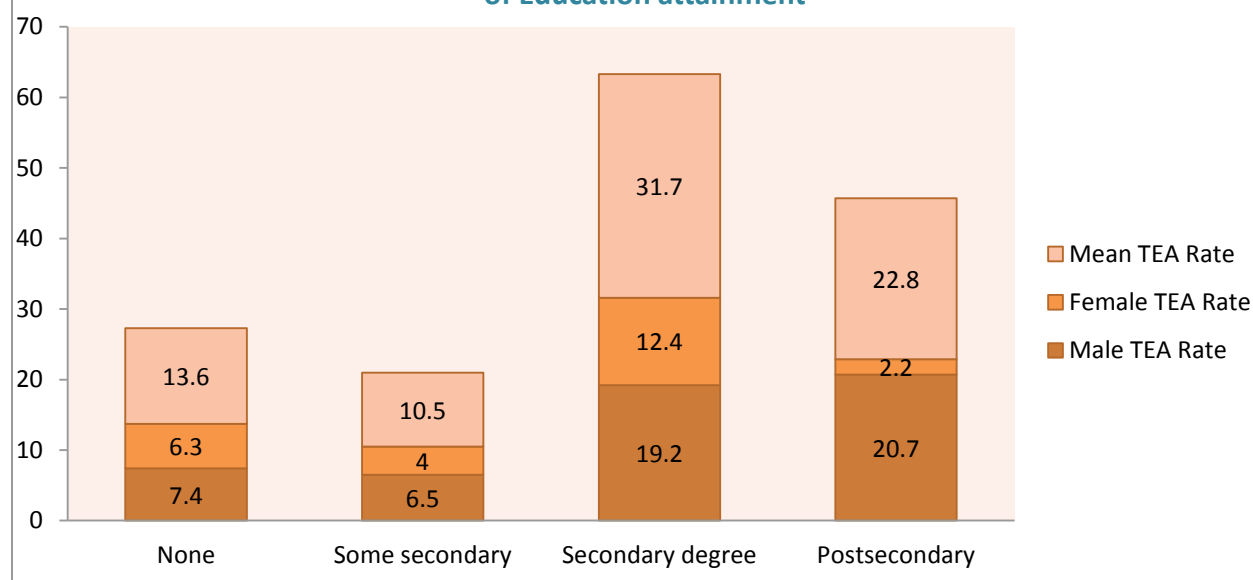


Figure 9. Prevalence Rates of Early Stage Entrepreneurial Activity by Levels of Education attainment



The higher rate of unemployment among the youth who have some or completed university education could be another factor why Yemeni families encouraging their young children to start their work life than to continuous their university or technical education. Also, the work of a new family member will create a new income helping his family to face the necessary and basic needs.

In addition, the venture culture and the low salaries and wages in the government and public entities seem to be another factor for encouraging the employees to find second additional job.

The highest share of women involved in the early stage entrepreneurial activity is in the post- secondary education group (58%) of the entrepreneurs in their group and the lowest is in the university group (only 7%) of the entrepreneurs in the group. The share is relatively the same in two groups of education; none and secondary.

Household Income and Entrepreneurial Activity

This section tries to find the relationship between the household income and entrepreneurial activity, like the association between the higher levels of income with the involvement of entrepreneurial activity in Yemen.

Table 4. Prevalence Rates of Early Stage Entrepreneurial Activity by Household Income Group

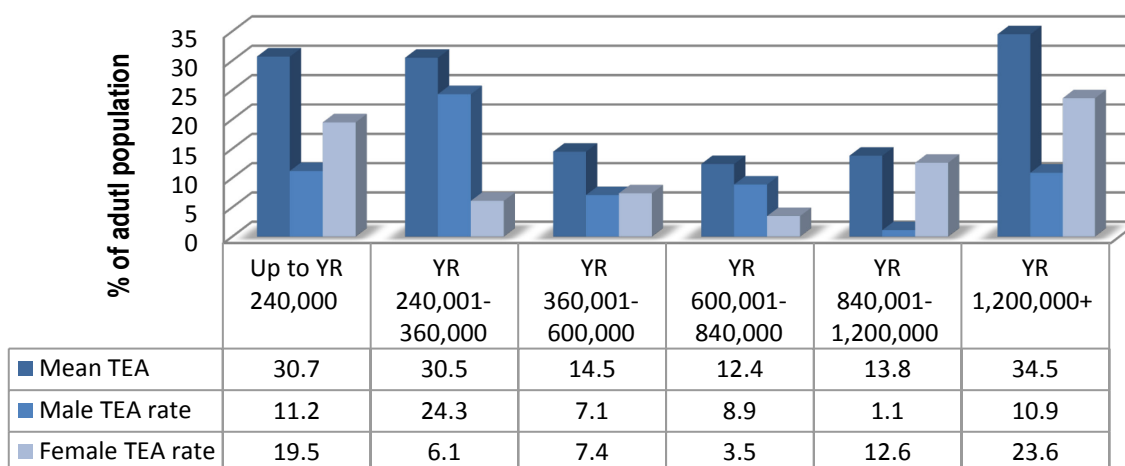
Income Group	Prevalence TEA rates			Share of men and women of TEA Male and TEA Female	
	Mean TEA	Male TEA rate	Female TEA rate	Men among TEA male	Women
Up to YR 240,000	30.7	11.2	19.5	14.6	39.9
YR 240,001-360,000	30.5	24.3	6.1	66.0	26.0
YR 360,001-600,000	14.5	7.1	7.4	10.9	17.6
YR 600,001-840,000	12.4	8.9	3.5	6.1	3.7
YR 840,001-1,200,000	13.8	1.1	12.6	0.3	5.9
YR 1,200,000+	34.5	10.9	23.6	2.0	6.9

GEM 2009 survey in Yemen classified household income in 5 groups as it is shown in table 6, depending on the total annual household income of all adult population sample.

The second type is reclassified this 5 groups income into three thirds, the lowest third (lowest 33% tile) and the middle-third which are represented respectively by

the group of income (up to YR 240,000) and the group of (YR 240,000-YR 360,000). The upper-third of income (upper 33% tile) includes the three groups of income in Table 6. (Starting from YR 360,001 up to YR 1,200,001 and plus). Figure 7 demonstrates the related prevalence rates of TEA according to the household income thirds.

Figure 10. Prevalence Rates of Early Stage Entrepreneurial Activity by Income Group



Based on the distribution of adult population (1979 respondents related to household income), the middle-third and upper-third's share is 80.4% divided equally between them (40.4% and 40.0% respectively) and 19.6% is for the lowest third.

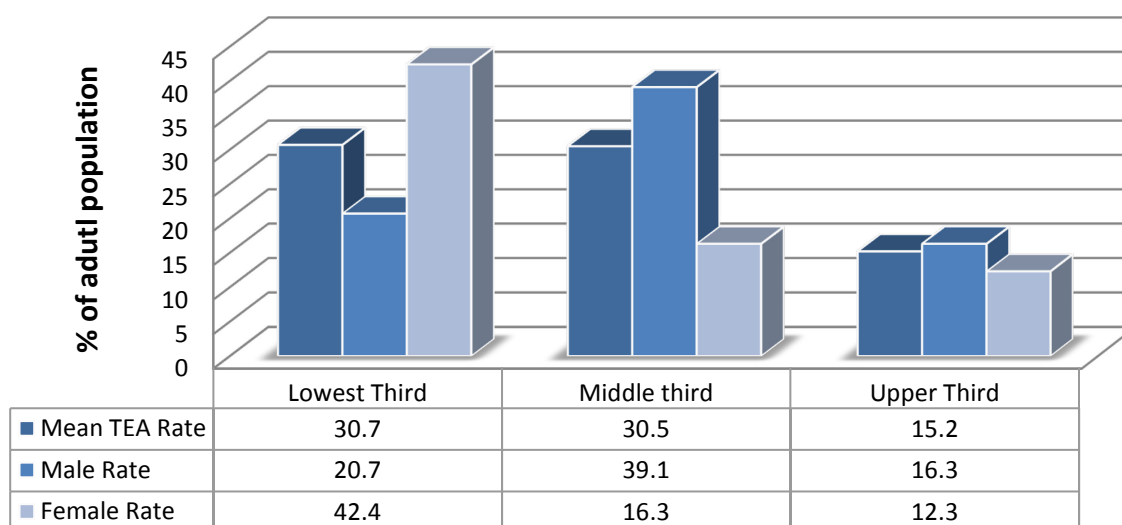
Table 5. TEA Rates by Income Thirds and by Gender

Thirds of income	Mean TEA Rate	Male Rate	Female Rate	Nascent TEA Rates	New Business TEA Rate	Establish Business TEA Rates
Lowest Third	30.7	20.7	42.4	28.7	20.1	3.9
Middle Third	30.5	39.1	16.3	29.2	1.3	2.8
Upper Third	15.2	16.3	12.3	14.5	0.8	2.8

The highest TEA rate (30.7%) is among the lowest third of household income, which represented about 24.6% of people involved in early stage entrepreneurial activity and only 19.6% of the respondents. The middle-third is the follower with a

30.5% TEA rate comparing to its share (50.3%) of entrepreneurs involved in early stage activity and nearly 40.4% of respondents.

Figure 11. Prevalence Rates of Early Stage Entrepreneurial Activity by Income Thirds



The TEA rate of upper household income third is only 15.2% but it represented 25.1% of people involved in early stage activity comparing to 40.0% of all respondents.

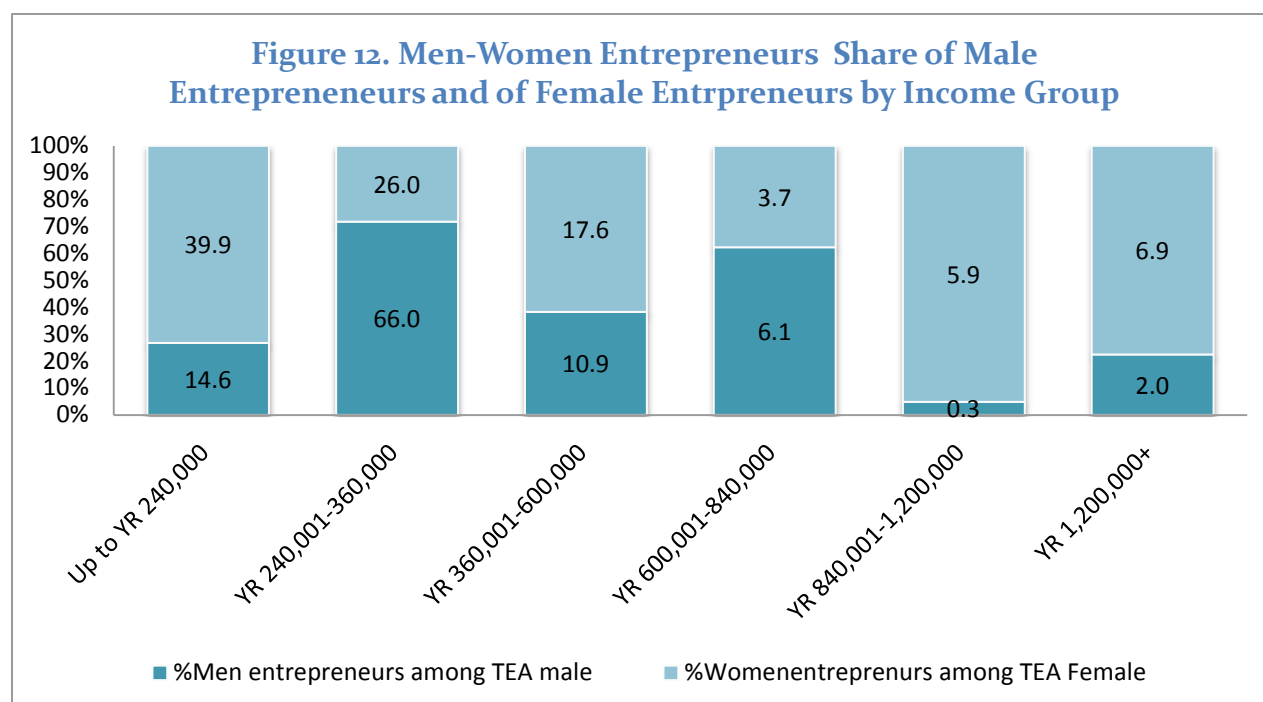
Generally, it appears that the highest TEA rates are among the adults who earn lowest annual household income, and the lowest rate of TEA is among adults living in the highest income household. This is relatively the pattern among the income groups of the upper-third, entrepreneurs in the household income group of (YR360,001-YR600,000) represent more than half (53.7%) of the upper third entrepreneurs, 5.2% of early stage entrepreneurs and (22.6%) of all respondents, followed by the entrepreneurs whose monthly income is more than YR1,200,000 (25.6%, 3.9%, and 2.8% respectively) comparing to (20.7%, 2.5% and 4.41%) for the income household group of (YR840,00-1,200,000).

The above result indicated that there is no association between the higher levels on income and the higher involvement in entrepreneurial activity, as it the general case in the 7 GEM-MEAN countries.

Related to TEA gender (among the same gender adult population in the same group of household income), men get the highest TEA rate (24.3%) among the

adult population whose annual income is YR 240,000-360,000 and the lowest TEA rate (only 1.1%) is among the adult population whose their annual household income is between YR 840,001 and YR 1,200,000. For women, the highest TEA rate (23.6%) is among the group of income YR 1,200,000 and more, followed by 19.5% for the group of annual income (up to YR 240,000). The lowest TEA rate (3.5%) is among the group whose annual income between YR 600,001 up to YR 840,000.

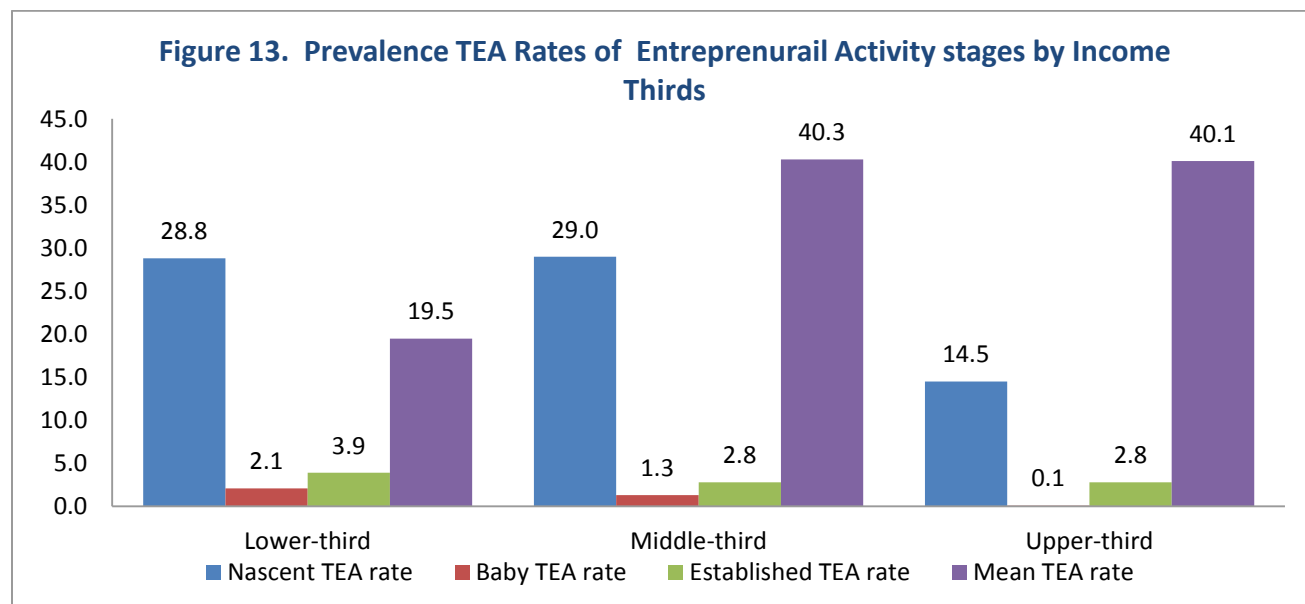
Among the three thirds of income, the highest TEA rate (39.1%) for men is for the middle-third, followed by the upper-third (21.0%) and the lower-third (20.7%). For women, the highest TEA female rate (42.4%) is for lower-third, followed by middle-third (16.3%) and upper-third (12.3%).



According to stages of entrepreneurial activity, the TEA rates vary depending on the entrepreneurship stage. For nascent stage, the highest TEA rate (29.2%) is among the adult population of middle-third, followed by the TEA rate of lowest-third (28.7%) and a 14.5% for the upper-third. The entrepreneur's shares in these thirds are respectively 50.8%, 24.2% and 25.0% of nascent entrepreneurs.

For the new business stage, the TEA rates of lowest-third middle-third and upper-third are 2.1% and 1.3 %, and only (0.8%) comparing to their shares (33.3%, 41% and 25% of new business entrepreneurs). The highest TEA rate for established entrepreneurial activity is among the adult population in the lowest-third of income (3.9%), followed by the other two thirds with 2.8% for both of them

compare to their shares of the established entrepreneurs (25.4% and 37.7% respectively).

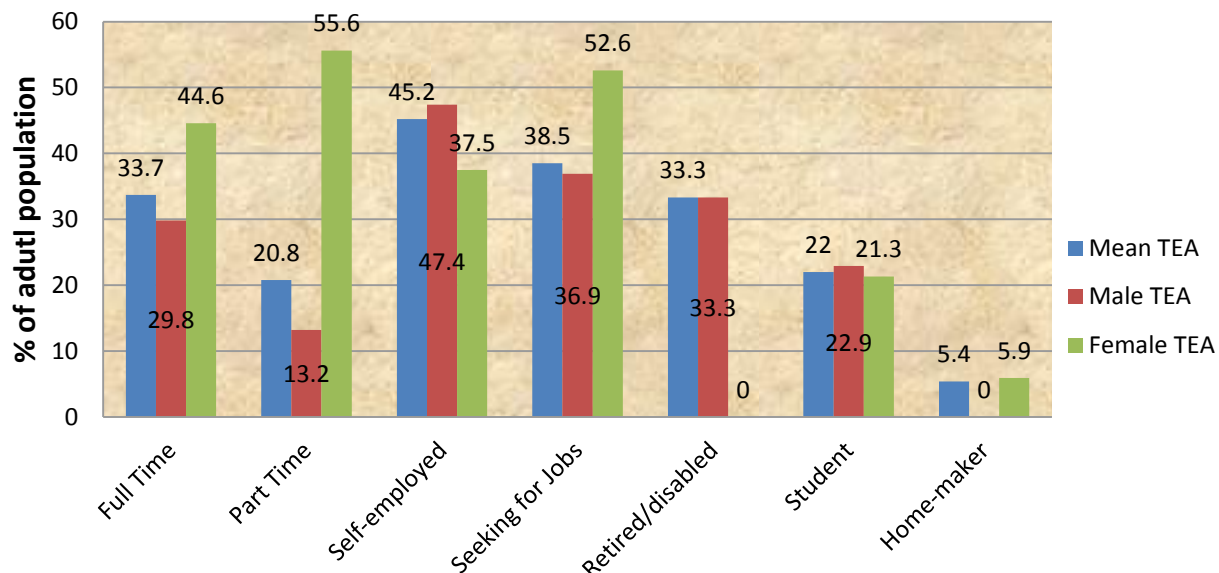


Labour Force Status and Entrepreneurial Activity

According to GEM survey 2009, more than one third (33.4%) of adult population are employed in full-time work and about 7.2% are working part time, that means about 41% of adult population are working in full-time or part time compared to 8.7% for unemployed adults (seeking for jobs). The homemaker represented more than one quarter of adult population (26.2%), and 19.8% for the students.

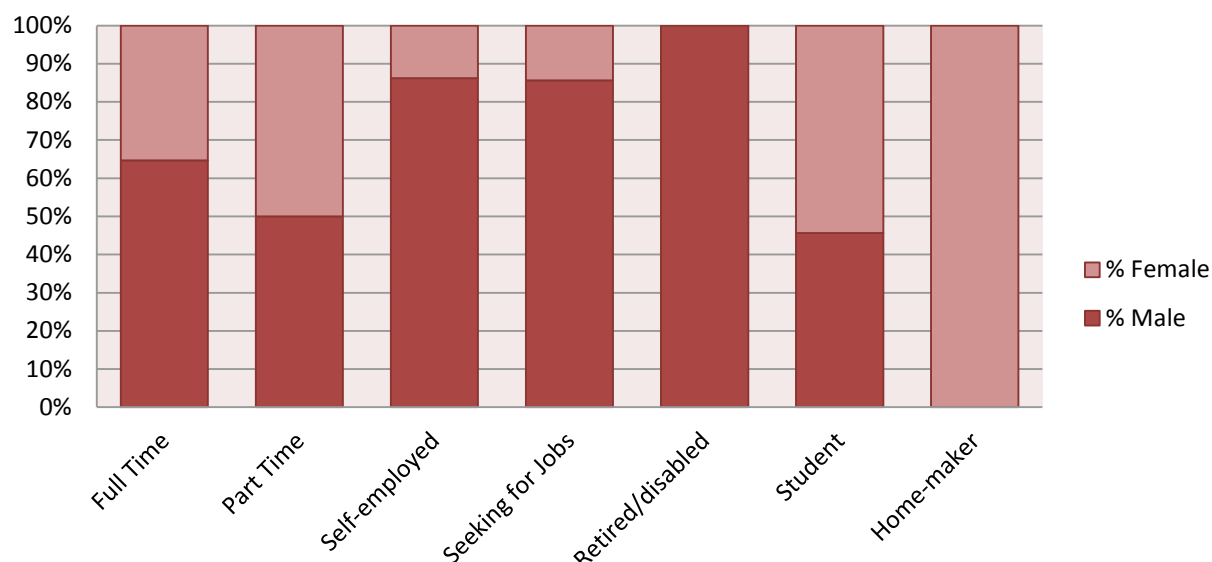
Table 6. TEA Distribution by Employment and Gender						
Labour force attachment	TEA rate among Labour force attachment			Shares of labour force attachment Within TEA entrepreneurs (%)		
	Mean TEA	Male TEA	Female TEA	% Mean TEA Rate	% Male	% Female
Full Time	33.7	29.8	44.6	47.0	30.4	16.6
Part Time	20.8	13.2	55.6	6.3	3.2	3.2
Self-employed	45.2	47.4	37.5	8.5	7.5	1.2
Seeking for Job	38.5	36.9	52.6	14.0	11.9	2.0
Retired/Disabled	33.3	33.3	0.0	0.2	0.2	0.0
Student	22.0	22.9	21.3	18.2	8.3	9.9
Home-maker	5.4	0.0	5.9	5.9	0.0	5.9

Figure 14. TEA Prevalence Rate by Labour force attachment



The highest TEA rate (45.2%) is among the adult population of self-employed group, followed by the adults who are seeking for a work (38.5%), then the adults who are working full-time (33.7%), student (22.0%) and employed in part time work (20.8%). On the other hand, entrepreneurs in full-time group represent about 47% of entrepreneurs involved in early stage activity, followed by the student group (18.2%) and the group of seeking for a work (14%). Student and homemaker are not in the labour force.

Figure 15. Male and Female Share of TEA by Labour force Attachment



Form gender perspective, women who are working part time get the highest TEA rate (55.6%) among adult women in this group, followed by 44.6% for who are working full-time or part-time. For men, the highest TEA rate (47.4%) is among the adult men in self-employed group, followed by who are not working (36.9%), retired (33.3%) and who are working full-time (29.8%). This result indicated a higher propensity of women and men who are seeking for a job and have full-time work towards entrepreneurial activity. Regarding the entrepreneurs shares, the full-time working group gets the highest share (30.4% for male and 16.6% for female) followed by the group of seeking for jobs for male (11.9%) and the student group for female (9.9%). Figure 15 shows male and female shares of early stage entrepreneurial

The highest share of entrepreneurs in full-time working group within early stage entrepreneurs could be another indicator to **prove** that Yemen is one of the countries whose entrepreneurship is wide spread and culturally acceptable.

For established entrepreneurial activity, three fifth of established entrepreneurs have a full-time work (60.7%), with a 9.8% for each two groups; unemployed group and house-maker group. The highest TEA rate is among the adult population of full time employed (5.4%), followed by (3.4%) for unemployed and (3.2%) for self-employed group.

Regional Variations and Entrepreneurial Activity

Regionally, the rates of early stage entrepreneurial activity are usually different from region to another depending on economic, social and cultural characteristics of the region and its people.

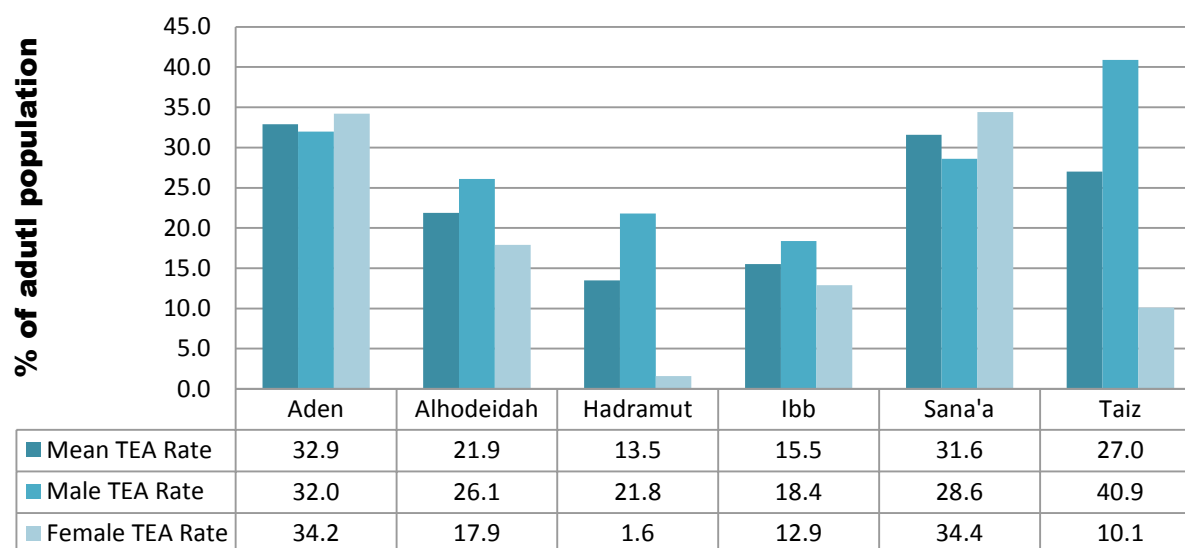
There are 6 regions (Governments) included in GEM Yemen survey 2009, represented different age groups of adult population, and the mountain and coastal regions.

In terms of Yemen prevalence TEA rate, the share of the 6 regions ranged between the highest for Sana

Table-7. Prevalence Rate of Early Stage Entrepreneurial Activity by Region

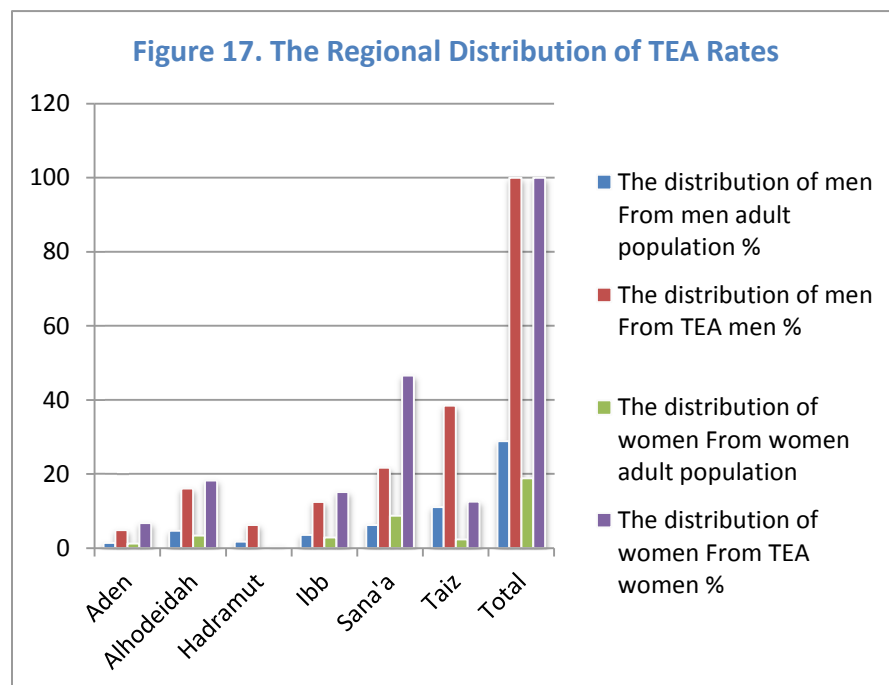
Region	TEA Rates among the regions		
	Mean TEA Rate	Male TEA Rate	Female TEA Rate
Aden	32.9	32.0	34.2
Al-Hodeidah	21.9	26.1	17.9
Hadramout	13.5	21.8	1.6
Ibb	15.5	18.4	12.9
Sana'a	31.6	28.6	34.4
Taiz	27.0	40.9	10.1

Figur 16 . Prevalence Rate of Early Stage Entrepreneurial Activity by Region



On regional basis, Aden has the highest TEA rate (about 33%) among its adult population, followed by Sana

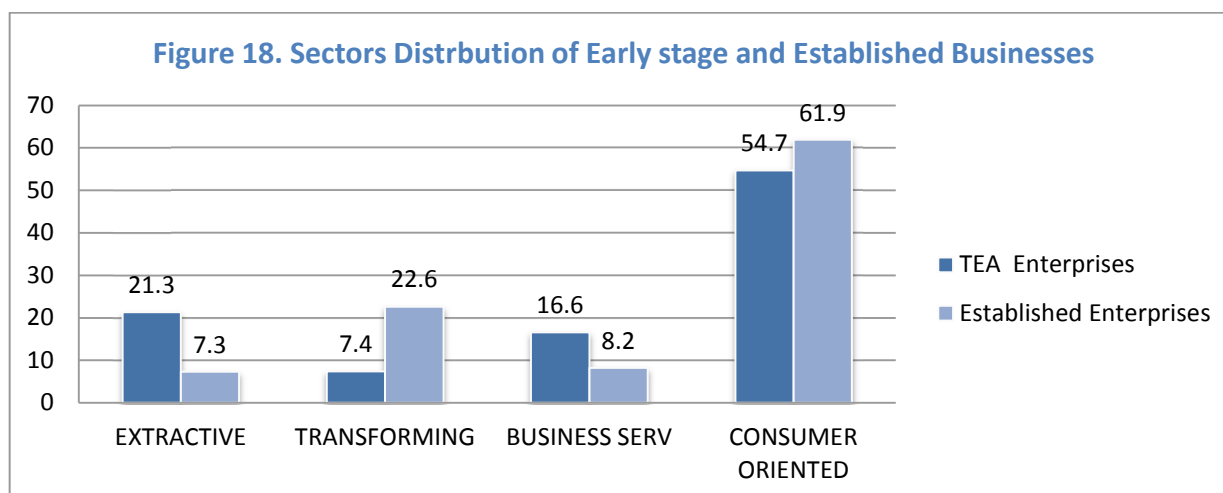
The result for women is different, the TEA rates variation seems to be wider (among women adult in the same regions). The TEA rates of Aden and Sana



Part III: characteristics of Nascent and Early-stage Enterprise

Enterprise Sectors

The enterprise sector in the early stage entrepreneurial activity concentrated in the category of consumer oriented business with more than half (51.2%) of firms. This category includes wide range of services like retail, motor, Vehicles, restaurants, health, education and social services. With the category share of business services (16.6%), the total share of services firms is about 68% of firms involved in early stage activity, followed by extractive firms (21.3%) which includes; agriculture, forestry, fishing and mining businesses. Transformation firms represented only 10.9% of early stage enterprises. That means entrepreneurs in the early stage activity consider doing businesses in construction, manufacturing and transportation are so difficult for them, either because they don't have enough experience or these kinds of business needs more financial resources.



Relatively, the case for established firms seems to be the same for the services firms, more than 70% of them are activity in different types of services

fields, because they have enough skills, knowledge, and easy access to financial resources.

Venture capital requirement and sources of funding

This section of the report is looking to find how much money that Yemeni business needed to start-up a new business, in other word how much is the start-up capital's requirement by a business entrepreneurs and the range of their ability to provide this start-up capital (initial capital investment) from their own source, beside the sources of external financing have received and was expecting to receive by Yemeni business for start-up their business.

Start-up capital requirement

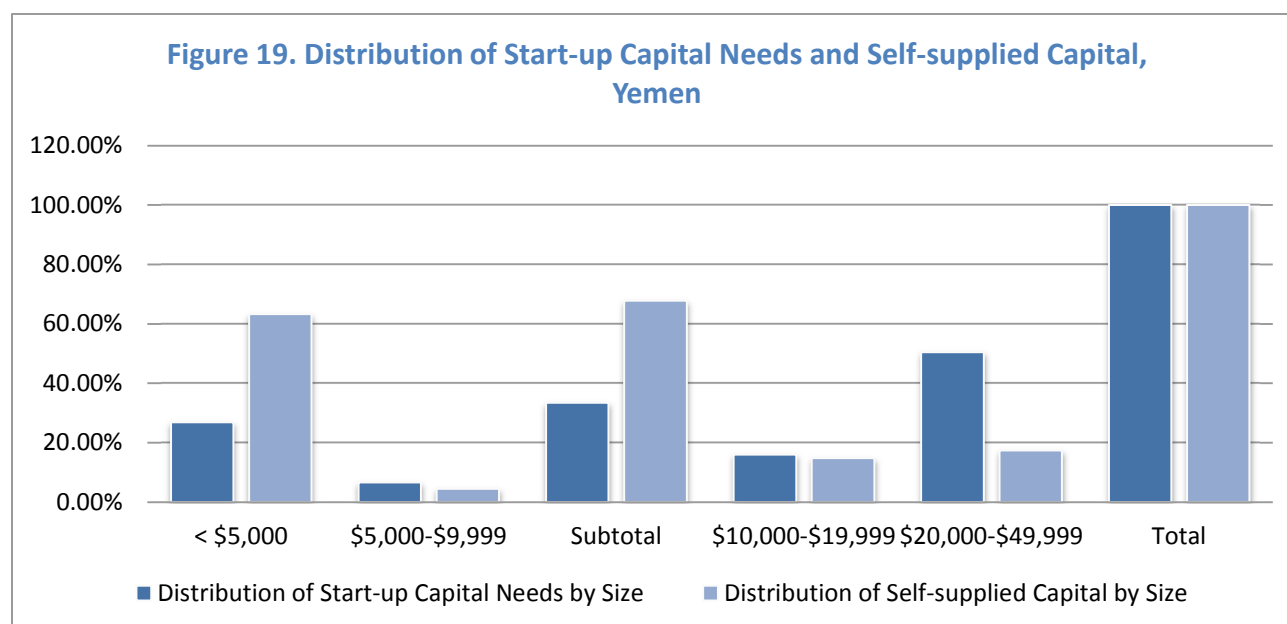
The majority of Yemeni business start-up (about 71%) required less than US \$30,000 (about 6 million of Yemeni Rail at time of survey) to start-up a new business, this included all costs needed to establish the business and get it operating. One third of entrepreneurs indicated that they needed less than US \$10,000 compared to one quarter (about 27%) for the most common amount which is less than US \$ 5,000.

Generally, as shown on the table (), one third of Yemeni business start-up needed less than US \$ 10,000 (around YR 2,000,000 at the time of survey). On the other hand, about 50% of Yemeni business start-up needed less than US \$ 20,000 and nearly 86% required less than US \$ 35,000.

More then quarter (26.4%) of female entrepreneurs (30 out of 1130) required less than US \$5,000, nearly one third (32.0%) required less than US \$10,000 and two fifth required less than US \$15,000 compared to 33.1%, 36.1%, and 40.6% respectively for male entrepreneurs. That means 60% of male and female entrepreneurs required an initial capital between US \$15,000 to \$49,812. The highest capital required by male entrepreneurs is US \$38,850 by 6 men compared to 23 women.

Source of Funding

The primary source of start-up capital supposed to be from the personal source, more than two thirds (about 68%) of Yemeni business start-up have their own financial source to finance the total amount of start-up capital requirement if it is less than US 10,000, only 14.8% has the ability for capital size of US 10,000-19,999, and 17.4% for US 20,000-49,999.



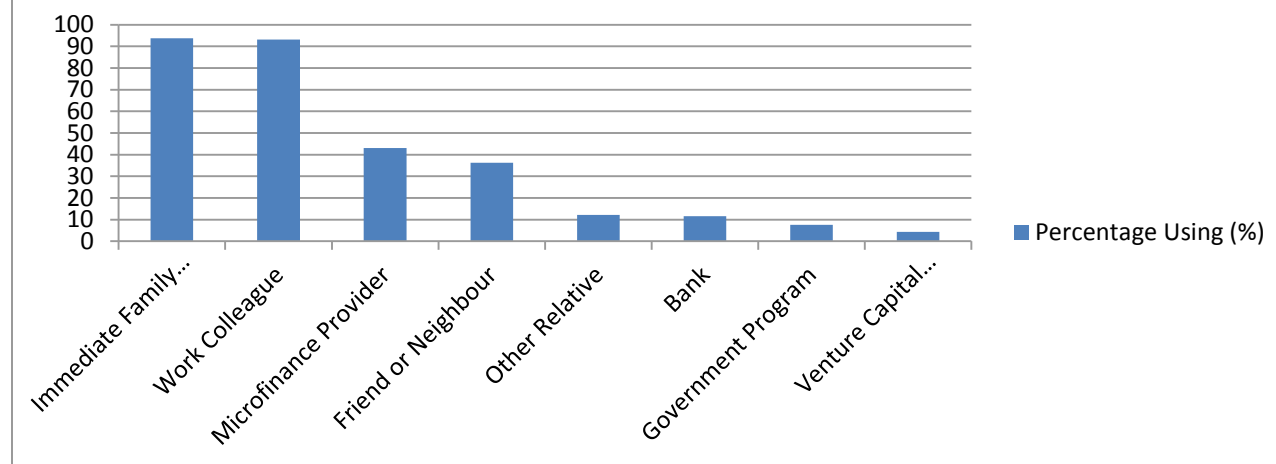
The exchange rate at time of the survey was YR198 for one US Dollar, but it was depreciated to YR 215 for one US Dollar at the time of final revision of this report, mid of October 2010.

About 45% of business start-up were expecting to provide by themselves the total amount of capital requirement from their personal source, regardless the amount, and the rest of them (55%) expecting to get a support from external financing source.

The most expecting external sources of financing is from close family members, with about 93% of Yemeni venture start-up and the same percentage indicated that they get using a support from their work colleagues. This result could be explained through considering the above two sources as some kind of “Business Angel”. In other word, as explained before, most of government and public employees in Yemen usually trying to increase their income or investing their own available resources (money, abilities or qualification and experiences) by running their own and/or mange private business, alone or with close family member or someone they work with.

About 62.2% of female involved in early stage activity (34 out of 53) has the ability to provide a self-capital needs of less than US \$5,000 and 81.1% of less than US \$15,000 versus a 53.1% and 75% for male entrepreneurs.

Figure 16. Nascent Entrepreneurs Receiving/ Expecting to Receive Start-up Financing from Selected Sources, Yemen



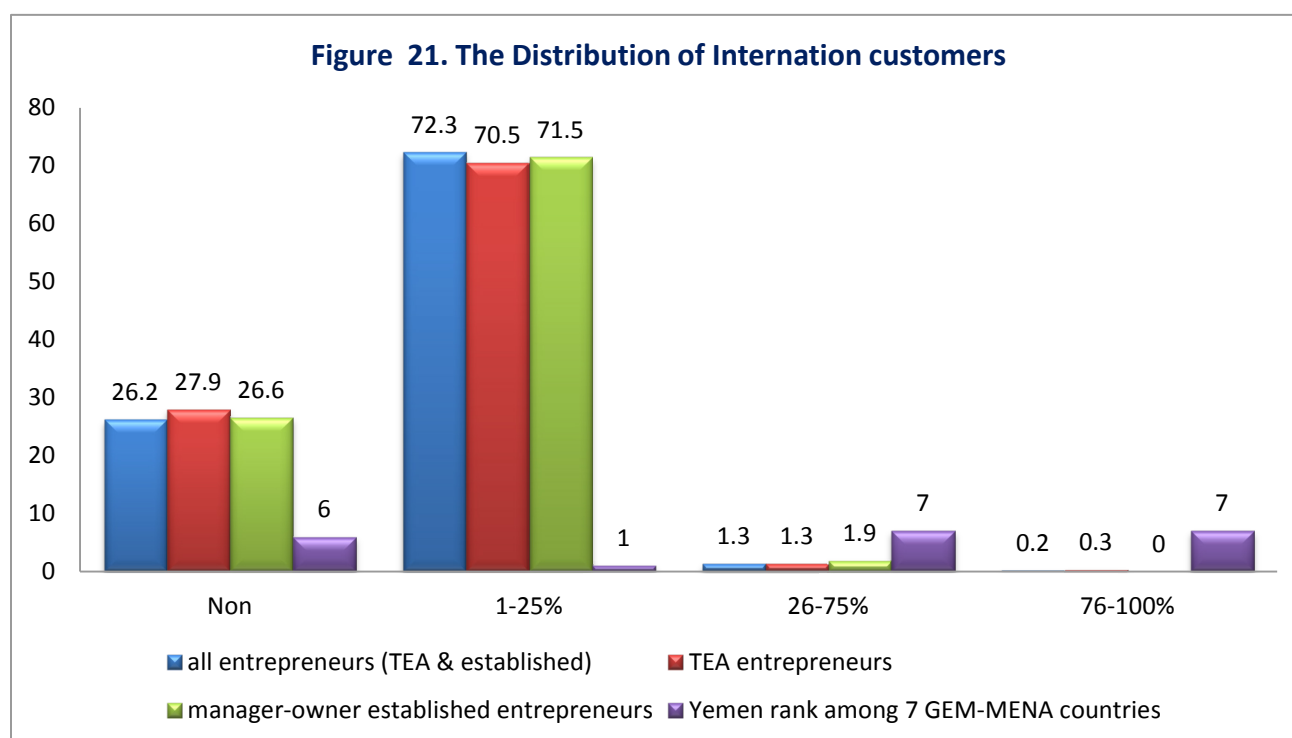
Microfinance provider is the third expected external financing source and it represent 43.1% of Yemeni business, taking in consideration the existing of microfinance institutions currently in Yemen, beside their facilities in payments, soft conditions and the other services they provide. These facilities could be the explanation of the low percentage of using bank finance (only 11.6%) as an external financing. In addition, usually most of Yemenis hesitate to get financing from commercial banks for religious reasons (the interest rate) and their hard conditions and requirements such as; fixed assets to secure their loans, and the nature of this financing as a short-term loans. Banks usually not concerned about the nature of entrepreneur business or his future prospective more than securing to pay their money back. Table () shows the external financing sources receiving or expecting to be received by business start-up in Yemen.

Angle Investors

Related to Angle (or Informal) investors, Yemen has the second lowest prevalence rate comparing to the 54 GEM2009 countries, followed by Morocco. Only 1.1% of Yemenis helped to finance someone else's new business in the past three years. A quarter of them invested in the efforts of a close family member, 42% in another relative, and 31% in a friend or neighbour. This lowest rate needs more examination because actually most start-up business in Yemen is supported by informal investors by way or another.

Export Orientation and Entrepreneurial Activity

Is the export orientation an important consideration for Yemeni entrepreneurs and what is the proportion of international customers they expected they will have? overall, GEM 2009 survey indicated that the inward orientation is more dominant, local market customers are more important than international, one quarter of entrepreneurs (26.2%) do not have customers outside of Yemen, and 71% expect that the percentage of their international customers will be 1-25% of their total customers, and only 1.5% hope to have more than 25% of their total customers.



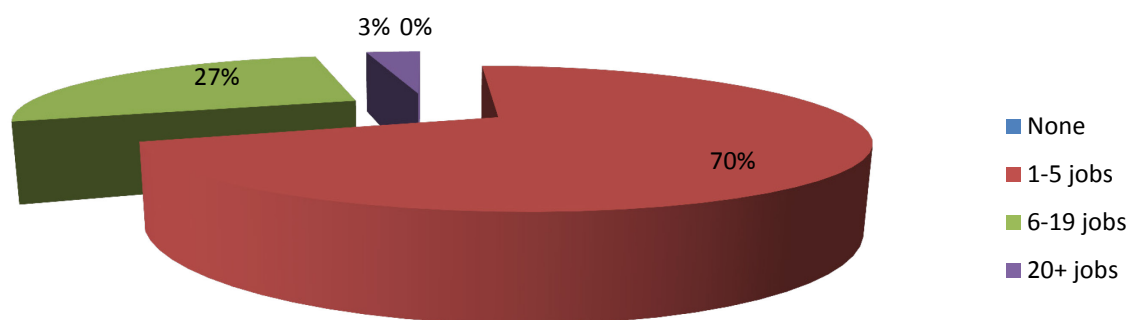
For early stage entrepreneurs, almost 28% of them do not have customers outside of Yemen and 70.8% expected to have between 1 to 25% of their total. The result is relatively the same for established entrepreneurs (26.6% and 71.5% respectively). It seems that Yemeni entrepreneurs have the lowest expectation for having international customers among the GEM-MENA countries (more than 25% of their customers), but it is in the first rank for the proportion of 1-25%.

According to GEM 2009 survey, more than one in four individuals (26.6% of the adult population) are expecting to start-up, alone or with others, a new business in the next three years, this indicated a high aspiration to start business.

Yemeni Aspirations: Growth Expectations and Innovation

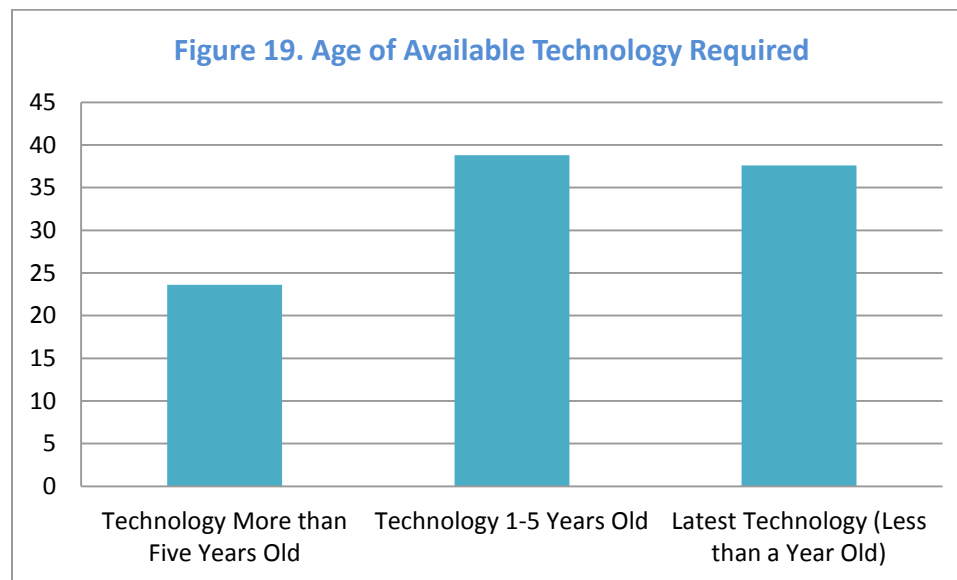
The growth expectations in Yemen seem to be relatively high (considering the global economic crises and internal political and economic unstable conditions). 87% of entrepreneurs in the early stage activity expected to create 6-9 jobs within the next 5 years compare to 54.2% for established ownership. More than quarter of early-stage entrepreneurs (26.2%) were expecting to create equal or more than 10 jobs in five years, this percentage increased to 38.3% for manager-owners of established firms. The expectation for 20 jobs and more is relatively high for established entrepreneurs (45.8%) and only 5.4% for early stage entrepreneurs, this indicated more confidence and experience among the owners of established firms.

Figure 22. Aspiration of Creating Jobs within next 5 Years



From the innovation perspective, 37.6% of early stage enterprises in Yemen believed that they using a very latest technology or procedures, that means more than one third of TEA entrepreneurs using the latest new technologies or procedures (newer than one year). This proportion increased to more than half for established entrepreneurs (about 55.7% of them).

Comparing with GEM-MENA countries, Yemen ranking is the last in the expectation of creating 1-5 jobs within the next 5 years and get the first rank in creating 6-19 jobs and 20 jobs and more.



On competition basis, about one third of early stage enterprise (31.4%) perceive that all potential customers considered their products are new or unfamiliar, Yemen gets the last ranking among GEM-MENA countries. The other two thirds are divided equally between some (34.4%) and none (34.3%) of their customers considered that the products are new or unfamiliar. Among the GEM-MENA countries, Yemen ranking was the last concerns to all potential customers, and the first ranking related to both some customers and none of them. For established entrepreneurs the percentage is little different (30.2%, 27.6%, and 42.2%) respectively for new or unfamiliar, few and none groups.

Business Discontinuances

The business discontinuation rate indicates the percentage of adult population who have discontinued a business in the past 12 months by determining how many going business were selling or shutting down, or otherwise discontinuing an owner/management relationship with the business, indicating also whether that business is still active or not, and identifying the reasons for this discontinuation.

In Yemen, only 2% of adult population cited that they discontinued a business in the past 12 months. The personal reason is the main reason for exiting from the business (nearly 65%) followed by business was not profitable, then due to an

incident. It seems that getting finance and retired were not reasons for exiting a business.

Comparing to GEM2009 countries, Yemen has the lowest rate of discontinuation of business among its countries group and all GEM2009 countries (the average rate for factor-driven group is 7.2% and for all GEM countries is nearly 4.9%). About 55% of GEM 2009 respondents cited that the financial problems is the main reason for quitting the business and the business not profitable was the most reported financial problems.

On the contrary, the established entrepreneurs' views were relatively different, about two thirds of them found it was more difficult to start a business (32.2%) and somewhat more difficult about (30.0%). This result more likely to the average percentage of factor-driven economies countries in GEM 2009 (60%).

Yemeni's Attitude to Entrepreneurship and Perceptions

Yemeni people well known as merchandiser and business ventures, respectable of private and entrepreneurship activities, Mareb dam is just an example of the Yemeni civilization.

The entrepreneurial attitudes and perception of the Yemeni adult population seems to be good from the culture context compared to the other GEM-MENA countries and globally to GEM 2009 countries, reflecting the wider and deep culture acceptance of business venture of Yemeni adults. GEM 2009 survey showed that Yemenis having a strong positive attitudes toward business venture and entrepreneurship activity. So, according to 2009 survey Yemen has the most positive entrepreneurial attitudes and the highest percentage of adults in all 54 GEM 2009 countries. More than 96% of the Yemeni individuals considered a starting new business are a good career choice, also, 97.4% of individuals between 18-64 years believed that the national environment is more favorable, usually the successful entrepreneurs have higher status and respect from their families and communities, supported by media which play a good rule in this area, and strengthening the positive culture of entrepreneurship, 96% of individual declared that the media is often present stories about the successful new business. Yemen ranking the first among GEM-MENA countries in regards of cultural context of entrepreneurship.

On the other hand, the picture of individual context seems to be different from culture context, about 64% of Yemeni adults reported that they possessing the

required skills and capacity to start a business and very few of Yemenis (14%) believed that there will be a good opportunities for a starting business in the next six months in the areas where they live. Also, about 27 % of Yemeni adults were expected to start business in the next three years compared to the average rate (32 %) of factor – driven countries in GEM 2009 and to the other GEM- MENA countries. In Yemen only more than one third (34%) of the individuals stated that they know personally someone started a business in the past 2 years.

The most noticeable remark is the higher fear rate of failure compared with to the other GEM-MENA countries and GEM2009 factor driven economies. About 43% of Yemeni adults declared that their fear of failure would prevent them from starting business.

These contraction between cultural and personal could be explained as a negative impacts of the international economic crises and unstable internal environment, politically and economically (the survey time was done during June and July 2009). Yemen face a serious problems in the northern and southern parts of Yemen

The higher rate fear of failure is related to the social culture of Yemen society, as it in most Arab and Eastern countries, business failure in Yemen is tremendous culture and a strong kind of “loss of face” not only for business person but also to his family. Business failure is socially unacceptable and unrespectable in Yemen, frequent stories of any failure usually to tell within their families and communities, as the successful new business tell.

Generally, Yemeni culture is usually supporting and encouraging the entrepreneurship activities as reflected on the entrepreneurship index, more than 95% of the respondents believed in three things at the same time; starting a business is considered as a good career choice, persons growing a successful new business received a high status respects from their communities and there was a lots of media coverage for new businesses. It is clear from the above results the positive attitudes of Yemeni individuals towards entrepreneurship.

Part IV: The Impact of the 2008-2009 Recession

On Entrepreneurial Activity

Respond to the 2008 global financial economic crises which have causing a real global economic recession during 2008-2009, GEM 2009 survey added two questions that allowed for an investigation of entrepreneurs' perception of climate in mid-2009 for starting and growing a business. Figure ... and Figure ... shows the entrepreneurs views of GEM 2009 countries on starting and growing a business compared to one year ago by phase of economic development.

Entrepreneurs' Views on Starting a Business

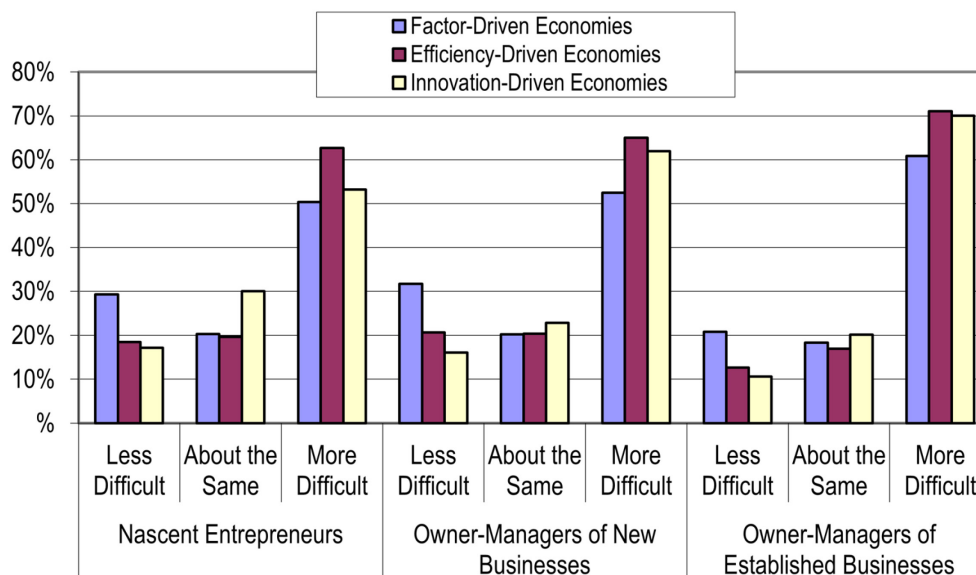
Yemeni nascent and new business entrepreneur views for starting business seem relatively different from the views of factor driven countries in GEM 2009. Only 25.5% of Yemeni nascent entrepreneurs found it is more difficult and somewhat more difficult to start business (14.2% and 11.3% respectively). The new business entrepreneurs do not find it is more difficult or somewhat difficult. On average the percentages of the factor-driven countries in GEM 2009 are 50.4% for nascent and 52.0% for new business.

The majority of nascent and new business entrepreneurs found that it is less difficult and somewhat less difficult to start business (62.3% and 83.4% respectively).

Yemeni established entrepreneurs views are relatively different, about 62.2% of them found it is more difficult to start a business (32.2% for more difficult and 30.0 for somewhat more difficult). Nearly 19.7% of them viewed the situation is about the same as one year ago, and 27.1% less difficult and somewhat less difficult. This results more likely to the average percentages of factor-driven economies in GEM 2009 (60.9%, 18.3% and 20.8% respectively).

On average, many of Yemeni TEA entrepreneurs viewed that it is easier to start business compared to one year ago because Yemen economy has a weak contact with the regional global financial markets, the dominant of necessity-driven and the inward concentrations of entrepreneur firms.

Figure 24. Entrepreneurs Views of GEM 2009 Countries on Starting a Business in Comparison to One Year Ago by Phase of Economic Development



Source: GEM 2009 Executive Report.

Figure 24, Yemen Entrepreneurs' Views on Starting a Business in Comparison to One Year Ago

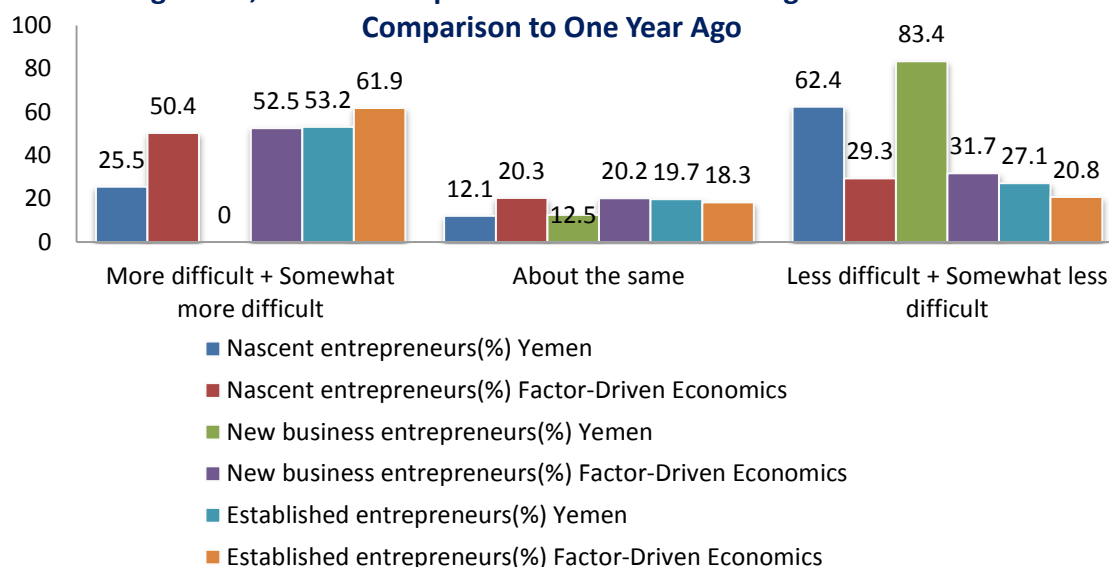
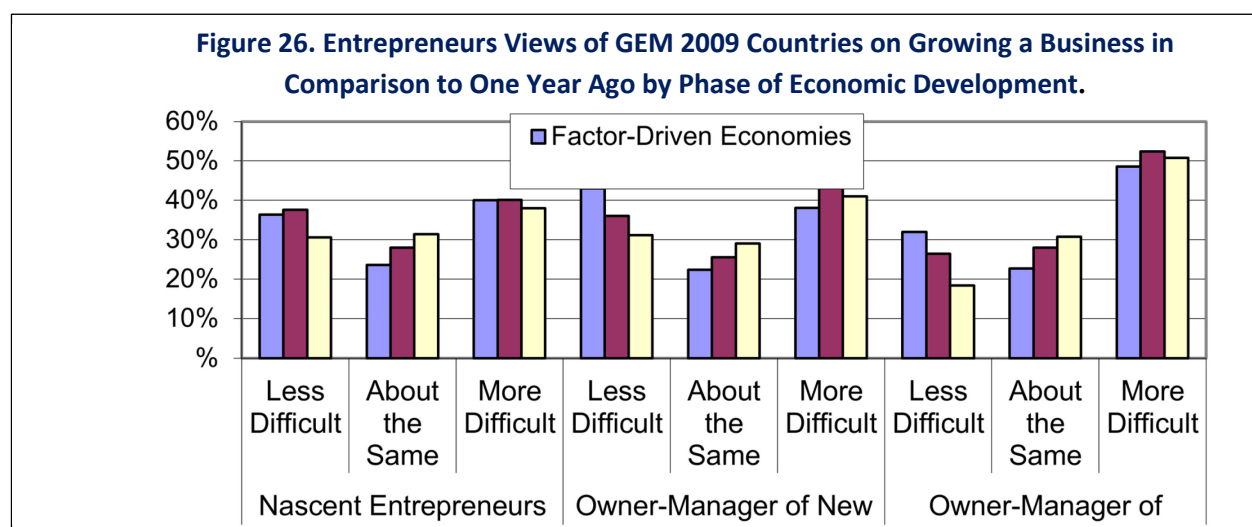


Figure 25 shows the Yemeni entrepreneurs' views on starting a business in comparison with the average of factor-driven economics in GEM 2009

Opportunities for growing a business

Were entrepreneurs more positive about growing a business than starting a business or they were more negative? In other word, were they pessimistic or optimistic?

For Yemeni nascent entrepreneurs, more than two thirds found it was more difficult which included two groups, whose indicated more difficult (only 7.8%) and somewhat more difficult (60.8%) compared to 40% of factor-driven economics



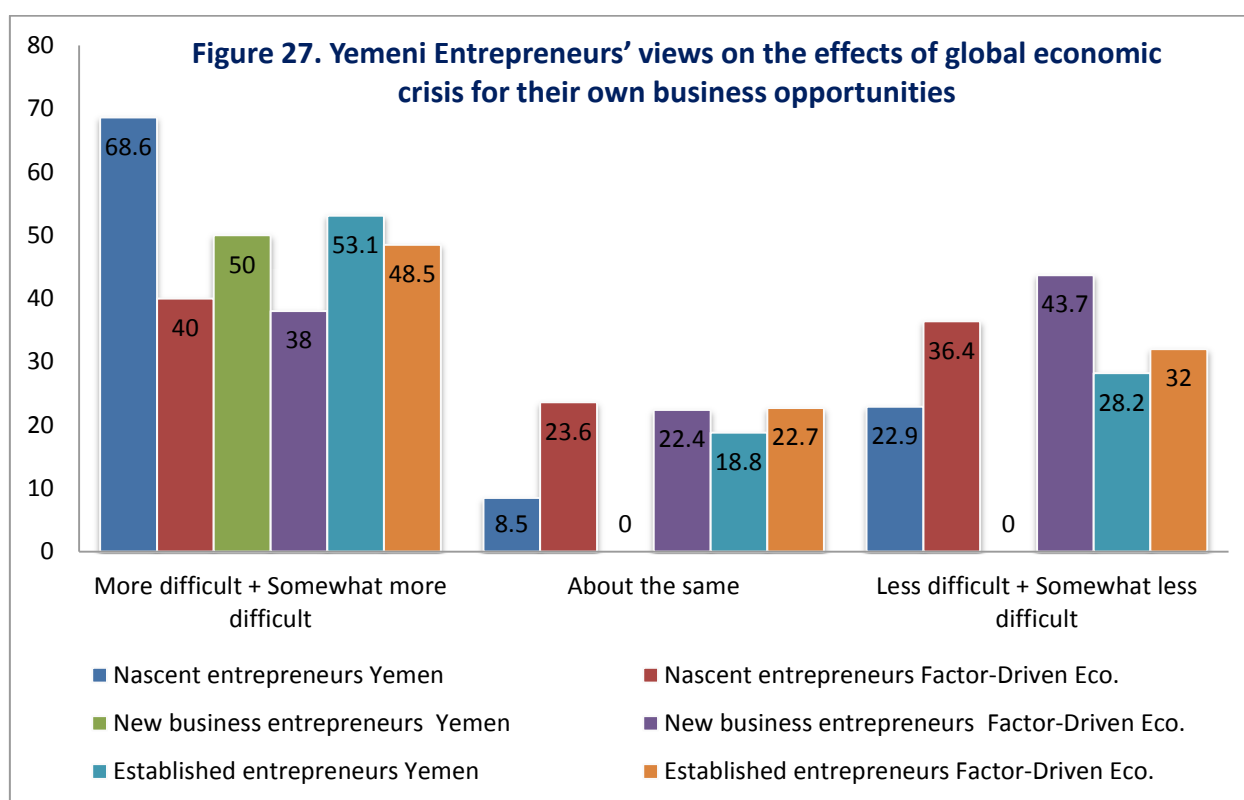
of GEM 2009 (as an average), but only 8.5% of them are viewed about the same, which is less than the average of factor-driven countries (about 24%). Generally, Yemeni nascent entrepreneurs seemed less pessimistic about growing a business with only 0.3% of them indicated less difficult and 22.6% indicated somewhat less difficult compared to the average of factor-driven economies (about 35% less difficult).

Table 8. Yemeni Entrepreneurs' views on the effects of global economic crisis for their own business opportunities

Perception of opportunities	Nascent		owner-managers of new business		owner-managers of established business	
	Yemen	Factor-Driven Economies	Yemen	Factor-Driven Economics	Yemen	Factor-Driven Economic s
More Business opportunities (1)	20.9	16.7	0.0	13.7	33.0	12.9
About the same	10.0	30.0	0.0	32.3	4.8	26.2
Fewer Business opportunities (2)	69.1	53.3	100.0	57.8	62.2	60.9

(1) Included more business and somewhat more business opportunities.

(2) Included less business and somewhat more business opportunities.



The case for new Yemeni business and established entrepreneurs were different, half of new business entrepreneurs indicated growing business were somewhat less difficult, which is a little more than the average of factor-driven economies (about 43%). For established entrepreneurs in Yemen, the situation was nearly the same as it for factor-driven economies in GEM 2009, about 53.1% indicated that it

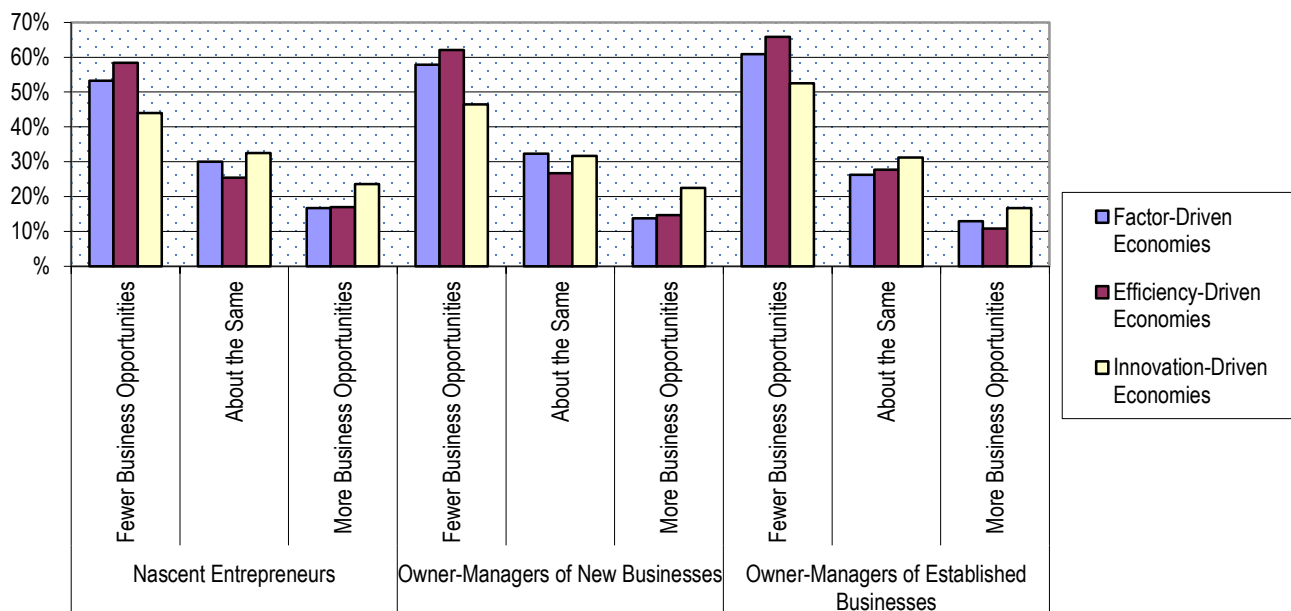
was somewhat difficult, 18.8% about the same, and 28.2% found it was somewhat less difficult compared to 48%, 23%, and 32% respectively for the factor-driven economies.

The conclusion is TEA entrepreneurs were less positive for growing business than starting business (more optimistic) and nearly same perception for established entrepreneurs. But comparing with factor-driven countries of GEM 2009, Yemen is considered as one of the countries with predominantly pessimistic entrepreneurs

The effect of global economic crisis for own business opportunities

Additional questions are added to the GEM 2009 Adult Population Survey for investigation of entrepreneurs' views on the effect of the "Global Economic Slowdown" on business opportunities for their start-up on existing business. Figure 24 summarize the impact on GEM 2009 countries by country group and type of entrepreneur.

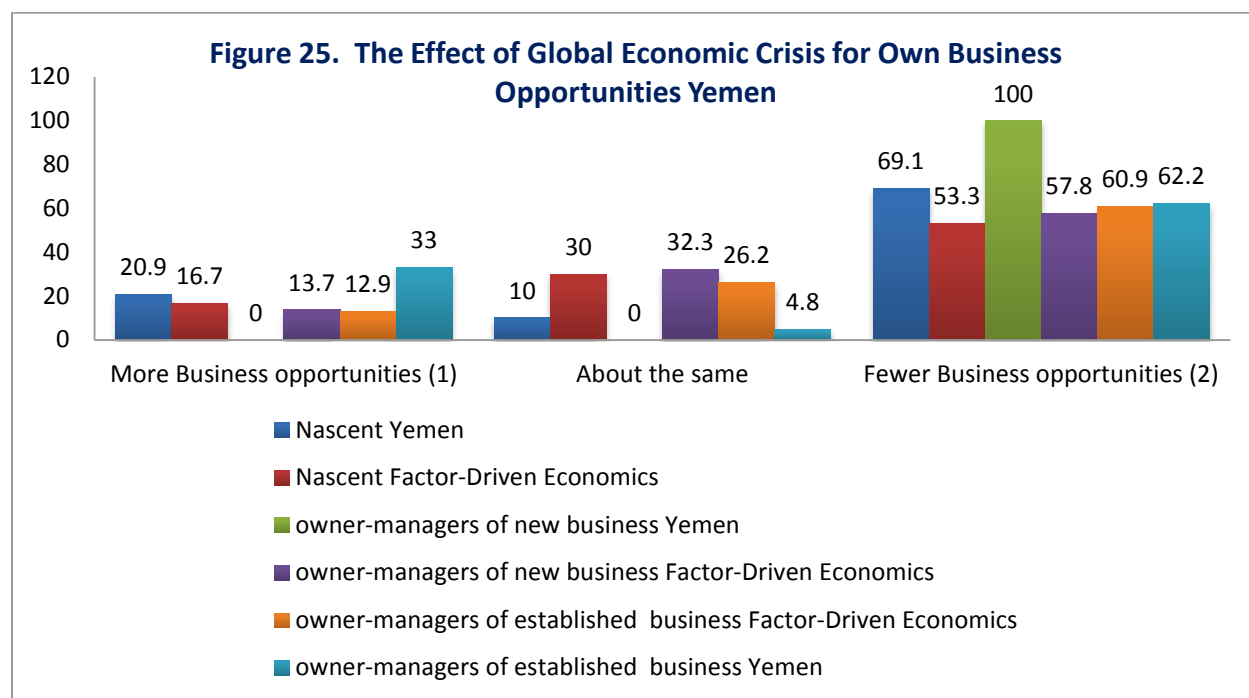
Figure 24 The Effect of Global Economic Crisis for Own Business Opportunities of GEM 2009 Countries



Source: Global Entrepreneurship Monitor, 2009 Executive Report, p.

Entrepreneurial Activity and the Effect of the Global Crisis in Yemen

Yemen economy is small and open country with weak or minimal ties to international financial markets, but the crisis have a wide range of negative effects. According to recent report from International Monetary Fund (IMF), the recent economic performance in Yemen has raised some concerns. While direct financial contagion from the global crisis has been limited, Yemen has suffered from a range of indirect effects. The slowdown in



world growth appears to have contributed to a slowdown in some areas of economic activity. Non hydrocarbon economic growth in Yemen appears to have weakened, from 4.8 percent in 2008 to an estimated 4.1 percent in 2009—reflecting slower activity in such areas as agriculture, construction, manufacturing, and real estate. Inflation has hit record lows, due largely to the sharp decline in international food prices. The heaviest impact from the global recession has come through lower oil prices. Lower production, combined with the sharp drop in average prices and lower government share of output between 2008 and 2009 has resulted in a significant decline in government oil exports. The loss of oil revenue has put pressure on the government fiscal balance. In addition there is a slowdown of direct investment (foreign and national), of private remittances and donors financing (both grants and concessional loans), and in some economic sectors, especially tourism, trade, financial & insurance, and transportation

sectors which they have a relative relations hip with the external world. Political instability has Deeping these negative effects.

Regarding the entrepreneurship, this crisis has been affected entrepreneurial

Part V: POLICY IMPLICATION

Yemen is characterized by positive attitudes towards entrepreneurship and has a strong entrepreneurial culture, but on the other hand Yemen is facing currently many economic, social and politic challenges, most of them could be considered as a result of wide and high rate of unemployment, slow economic growth, low ability of creation more new jobs and stable income of household. Entrepreneurship would be major factor to enhance the government policies of economic diversification and to achieve a sustainable high economic growth for non-oil sectors, which will lead to creating more new jobs and assisting in poverty alleviation efforts.

Based on the analyzing and results of Yemen's adult population, this part of the report focuses on the main findings and outlining the suggested policy implications and specific guidance to assist governmental policy maker, other related agencies, the associations of private sector and aid agencies in fostering and promoting entrepreneurial activities in Yemen.

A- Better understanding and awareness of entrepreneurship:

The first findings and policy implication is related to Yemen TEA rate. GEM-Yemen report shows that Yemen stands out among 54 GEM2009 countries and the GEM-MENA countries for the higher rate of early-stage entrepreneurial activity, but on the other hand most of Yemeni entrepreneurs are nascent with very few of new business and established owner-mangers, indicating of high – constraints preventing starting-up enterprise to take them off to the next stage (new business). Also, nascent periods time is relatively long, half of the respondents cited that the have been involved in starting business for 60 month and less, extended to 63 months up to 100 months for the second half of respondents.

This issue is also related to higher fear rate of failure among Yemeni adults, indicating high hesitations and low ability to start-up enterprises and grows them to be a new and established business.

Many factors and reasons could be suggested and mentioned, but there is a need of more examination to cover the real factors. Till that, the lack of understanding the necessary and practical skill and knowledge of entrepreneurial activities could be the main constraint, beside other factors. Strong culture and strong positive attitudes should be supported by real training and educational of entrepreneurial activities.

Taking in consideration the current efforts of Yemen Government, related agencies and donors to promote and support entrepreneurial activity in Yemen, further policy implications would be expected to lead to better understanding awareness of entrepreneurship, through:

1. Improving abilities, skills and knowledge about how to start-up own business, manage it efficiently and grow it tell to be new and established enterprises and business.
 2. Extend and develop the current programs, especial IFC. Business programs. Through implementing training workshops for the students of secondary schools, university, vocational and technical institutes and community colleges.
 3. Better alignment of culture and social attitudes by incorporating the pros in the curriculum of secondary, university vocational and technical institute and community colleges.
 4. Giving start-up funds should be based on joining and finishing successfully at least one of the current courses in “How to start- up and mange a business venture”. This condition will assist and helpful for start – up entrepreneurs and will reduce the cases of failure.
 5. Benefiting from the positive role of incubators in easing starting- up businesses.
 6. For the higher rate of fear of failure, the awareness of the negative effects of unacceptable business failure could be one instrument to change this social culture would be seen as another notch on the belt of business experience.
- B. Entrepreneurial activity in Yemen tends to be concentrated in the younger adult age group (18-24) with larger share of entrepreneurs involved in early-stage activity (about 41%) which is over-represented compared to its share of adult population (31.1%) which is not the case in most GEM countries. By adding the age group (25-34), more than three fifths of entrepreneurs (62.5%) of Yemeni entrepreneurs are under 35 years old. So, the adult age groups are the most significant pool of potential entrepreneurs, and special considerable efforts and more attention should be made in Yemen for this adult age in two ways, developing and fostering of entrepreneurial skills, abilities, and knowledge. The second policy implication is turning the attentions of teachers and students to the importance of entrepreneurship concepts and recognition of business venture and entrepreneurship as a career choice from the basic level of education (basic and secondary). This implication is a complementary to what are mentioned in A.**
- C. Having skills and knowledge are related to educational outcomes of different levels and various forms of education. Education plays role in entrepreneurial activity from starting-up a venture, reducing fear of failure, growing up the**

nascent business, having more International customers, more innovative propensity.

- D. In Yemen, the entrepreneurs who completed their secondary education have the largest share of early-stage entrepreneurs (about 71%). The implications are to urge steps of involving the university education system in reorientation the positive attitudes and intentions of students by introducing to them to the concept of entrepreneurship and training them the knowledge and skills of starting- up their new business and running them. This could be through separate workshops tell entrepreneurial orientations mainstreaming within college and university curriculum.**
- E. More than two thirds (about 68%) of firms involved in early-stage activity are services firms, which could be an indicator of discouraging risk-taking businesses in construction, manufacturing and transformation activities. Policy implication could be focusing on more training of current entrepreneurs and special business development services programs to support them to introduce of new business lines and produce new & competitiveness products, which will lead to more diversification of their business activities, lines, products, and more new markets and international customers. In addition, the inward orientation is more dominant and most (if not all) are local customers.**